



# Comprehensive Annual Financial Report

For the Year Ended December 31, 2012

City of  
Kalamazoo, Michigan

# **CITY OF KALAMAZOO, MICHIGAN**

Comprehensive Annual Financial Report  
Year Ended December 31, 2012

**Prepared by:**  
**Management Services Department, Budget & Accounting Division**

City of Kalamazoo

Comprehensive Annual Financial Report  
Year Ended December 31, 2012

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## **INTRODUCTORY SECTION**



## OFFICE OF THE CITY MANAGER

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June 30, 2013

To the Honorable Mayor, City Commission, and Citizens of the City of Kalamazoo:

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill the City of Kalamazoo's requirement for the fiscal year ended December 31, 2012.

This financial report consists of management's representations concerning the finances of the City of Kalamazoo. Therefore, management assumes full responsibility for the completeness and reliability of the information contained in this report. To provide a reasonable basis for making these representations, City management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Kalamazoo's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

Abraham-Gaffney, Certified Public Accounts, have issued an unqualified opinion on the City of Kalamazoo's financial statements for the year ended December 31, 2012. The independent auditor's report is located at the front of the financial sections of this report.

The independent audit of the financial statements of the City was part of a broader, federally-mandated "Single Audit" in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the separately issued City's Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

### **Profile of the Government**

The City of Kalamazoo, incorporated in 1884, is located between Chicago and Detroit in the southwest corner of Michigan and encompasses an area of approximately 26 square miles. The current population of the City is approximately 72,641. The City, also the county seat, is home to Western Michigan University, a state-designated Research I university, as well as Kalamazoo College, a private liberal arts college, and Kalamazoo Valley Community College. As a municipality of the State of Michigan, the City of Kalamazoo is empowered to levy a property tax on both real and personal property located within its boundaries.

The City of Kalamazoo has operated under the commission-manager form of government since 1918. As required by the City Charter, the seven member commission is elected at-large on a non-partisan basis to serve two-year terms of office. Policymaking and legislative authority are vested in an elected commission consisting of seven members, all serving part-time. The Commission member, who receives the highest number of votes becomes the Mayor, serves as the executive head of the Commission. The Commission member receiving the second highest number of votes becomes the Vice Mayor and performs the duties of the Mayor in his or her absence. The City Manager is the Chief Administrative Officer of the City and is appointed by the Commission to serve at its pleasure. With the exception of the City's Assessor, Attorney, Clerk and Internal Auditor who are also appointed by the Commission, the City Manager is responsible for administering the policies and ordinances of the City Commission, for appointing the department heads of the City's various departments and overseeing day-to-day operations of the City.

### **City Services**

The City of Kalamazoo provides a full range of traditional government services, including police and fire protection; economic and community development activities; recreational and cultural activities and the construction and maintenance of streets and other infrastructure. Unique for a City of its size, the City operates its police and fire services under the public safety concept, in which members of the department are cross-trained to perform both police and fire services. In addition, the City of Kalamazoo operates water and wastewater systems. Both systems are regional in character, serving a large portion of the county outside of the City of Kalamazoo's corporate limits, and both are financially self-supporting. Both Utilities have significant excess capacity compared to current usage.

The City has three tax-increment-financed districts within its boundaries: a Downtown Development Authority for its downtown area, a Brownfield Redevelopment Authority to redevelop blighted properties within its boundaries, and a Local Development Financing Authority for a business and technology research park. A tax-increment financing ("TIF") district captures incremental increases in property tax revenues and reinvests them within that district. In addition to these TIF districts, a portion of the City has been designated as a Renaissance Zone by the State of Michigan, which allows residents and businesses within that zone to enjoy exemption from property taxes and certain state taxes. These districts are discretely presented component units of the City.

Citizens are also served by the City's Metro Transit System, a discretely presented component unit of the City of Kalamazoo, which provides mass-transportation services throughout the City, including Western Michigan University, and into outlying areas.

In addition, the City of Kalamazoo has four other legally separate component units, the Economic Development Corporation, Hospital Finance Authority, Kalamazoo Municipal Golf Association and the Kalamazoo Building Authority, entities for which the government is considered to be financially accountable. Additional information on all seven of these legally separate entities can be found in the notes to the financial statements.

### **Budgeting Control**

The annual budget serves as the foundation for the City of Kalamazoo's financial planning and control. The City Charter requires that the City Manager submit to the City Commission an estimate of revenues and contemplated expenditures for the following fiscal year by December 1. An interim appropriation resolution is passed by January 1 to continue normal operations and by February 1 of each year the City Commission passes an annual appropriation resolution approving the estimated expenditures. The budget is adopted at the fund level; Department heads may transfer resources within a department as they see fit, how and the City Manager may approve transfers between departments. Transfers between funds, however, need special approval from the commission. Legislative actions by the City Commission to issue bonds, accept grants and authorize special assessment projects are considered authority to expend funds for those purposes. Unexpended capital project appropriations may be carried forward to the next fiscal year with approval. All other appropriations lapse at year-end, except for those specifically approved to be carried forward by the City Commission.

The City Commission adopts budgets for the General Fund and all special revenue funds, as required by Michigan statute. The Commission also adopts budgets for capital projects, enterprise funds, and the administrative portion of the pension fund, although not required by the State of Michigan.

The budget has been approved in accordance with GAAP for all governmental funds with the exception of property taxes, as the State of Michigan property tax calendar (which begins July 1) differs from the City's fiscal year (which begins January 1). Prior to July 1, 2009, the City Charter allowed property taxpayers to pay their taxes in twelve (12) monthly installments. Property taxes were budgeted in the year levied, even though they were not fully available to finance operations in the current year.

Beginning with the July 1, 2009 levy, real and personal property taxes may be paid in six equal monthly installments. Property taxes that are paid on installment basis become delinquent on the first day of the next succeeding month. Real property taxes delinquent as of March 1 are turned over to the County for collection. Because GAAP requires the recognition of only those property tax collections made during the fiscal year with a sixty-day accrual period, the City prepares dual statements for its General and Solid Waste funds, one in conformity with GAAP, and one on a "Non-GAAP, budgetary basis". Further discussion on this difference and its implication is provided in the Management's Discussion and Analysis and the note disclosures.

### **SEC Disclosure under Rule 15c2-12**

Securities and Exchange Commission (SEC) Rule 15c2-12 requires that issuers of municipal securities undertake to provide certain annual financial information to various information repositories. In recognition that a CAFR is an appropriate disclosure document for providing information useful to existing and potential investors in the secondary market, and in order to meet our obligation to provide periodic disclosure for the secondary market, as required by Rule 15c2-12, the City of Kalamazoo has elected to include in this CAFR tables providing quantitative data on those activities which require such disclosure. Those tables can be found in the statistical section of the CAFR.

### **Local Economy**

Kalamazoo has a diverse regional economy, anchored by major employers in the pharmaceutical (Pfizer), health care product (Stryker Corp.), health services (Bronson and Borgess regional hospitals), banking (PNC), and higher education (Western Michigan University, Kalamazoo College, and Kalamazoo Valley Community College) industries. Kalamazoo's workforce is as diverse as its economy, ranging from those skilled in manufacturing and business services to research scientists. As of April 2013 the unemployment rate rose slightly from 6.8% to 7.0%, still below the national average of 7.5%. At the same time, enrollment in local universities and colleges exceeds 37,000 full and part-time students, creating a base of potential employees that is highly attractive to business and industry.

A long-time cultural and commercial center for the region, a combination of public and private investment, specifically in downtown Kalamazoo, has re-made and revitalized its central business district. One consequence of these new investments is that downtown Kalamazoo has become a dining and entertainment hub, with much of the new activity occurring in restored historic buildings.

Businesses have invested over \$100 million in real and personal property under Industrial Facilities Tax (IFT) Exemption Certificates during the last 12 years. Kalamazoo primarily supports business re-investment and expansion through its tax abatement programs and policies. However, the City of Kalamazoo also utilizes the array of economic development tools available to "core communities" in Michigan, such as PA 328 personal property tax exemptions, Michigan Business Tax credits for the redevelopment of Brownfield sites, and the designation of 88 acres on five sites in the city as tax-exempt Renaissance Zones. Economic development efforts are coordinated by the City's Economic Development Department among the City's Economic Development Corporation (EDC), private economic development staffing for all downtown developments (via a Downtown Kalamazoo Incorporated contract), the Local Development Finance Authority (LDFA) at the Business, Technology and Research Park (BTR Park), and the Brownfield Redevelopment Authority (BRA). In addition, City staff also

provides a coordination point for regional development activities with Southwest Michigan First (SWMF), a private non-profit economic development agency, who has also partnered with the State of Michigan's economic development agency (the Michigan Economic Development Corporation) and the city at the BTR Park to develop, manage and expand the Southwest Michigan Innovation Center (SMIC).

The City of Kalamazoo operates one of the most efficient and productive Brownfield Redevelopment programs in the nation. Designated by the US Environmental Protection Agency as a Brownfields Assessment Pilot Community, Kalamazoo currently has 50 Brownfield redevelopment sites in its Brownfield Plan. A total of 40 projects have been completed or underway since 1996, representing more than \$222 million in investment, the creation or retention of over 1,775 jobs, and the development of 129 residential units.

The promise afforded by these private and public investments is only the latest manifestation of a 2005 gift from local anonymous donors to all students who graduate from Kalamazoo Public Schools (KPS). All KPS graduates receive four years funding for college tuition and mandatory fees at Michigan community colleges and public colleges and universities. This open door to a bright future has resulted in over 2100 new students enrolled at KPS, an increase in state financial support for the district and a substantial increase in the number of firms asking about possible business locations - to enhance their capacity to attract and retain a well-educated workforce. The first set of Promise recipients graduated from college in 2010. We share in their pride of accomplishment and continue to marvel at the entire Promise concept. We look forward to a bright future for Promise graduates as they establish careers and begin returning the Promise results in their home community.

### **Long-term financial planning**

The City of Kalamazoo believes long-term financial planning has been and will continue to be a vital component to ensure the City's fiscal health. The City Commission identified six strategic focus areas which focus on: Economic Vitality, Neighborhood Development, Environmental Stewardship, Community Building, Responsive and Responsible Government, and Fiscal Stewardship.

Fiscal year 2013 is expected to be another difficult year as state-shared revenues and other revenues continue to lag behind expenditures. This situation is not unique to our community. A number of Michigan cities - especially those in urban centers - have been reducing government services in recent years.

The City's tax growth is limited by Proposal A, which caps growth in taxable value. This capping tax base growth has a negative affect on most communities in Michigan, but is a particular hardship for central city communities like Kalamazoo due to the built out nature of our community. Combined with a slow-growing economy, Proposal A hinders the ability of local government to address new service needs in the community without impacting basic municipal services.

When the Great Recession imposed its earliest impact on the City's finances in FY 2009, City staff identified a \$6 million General Fund budgetary structural problem that would require resolution by FY 2012 - 13. A first round of budget reductions (totaling \$2.3 million) was enacted by the City Commission in 2009 as Amendments to the FY 2009 Budget.

In addressing the remaining \$6 million structural gap, the City Commission enacted \$2.7 million in permanent structural expenditure reductions in the FY 2011 and FY 2012 Budgets. These changes then fed into a much larger budget balancing and reorganizational effort, the Early Retirement Initiative (ERI) and Strategic Alignment Plan (SAP).

The adopted ERI involved a 3-year acceleration of retirement qualifications, as well as a one-time lump-sum incentive payment equal to 1% of final average compensation multiplied by credited years of service. The City saw a participation of 219 of the 265 eligible employees, of which roughly 165 left by end of FY 2012.

The objective of the ERI and SAP was to avoid eliminating the least senior employees from the organization, which would have amounted to at least 100 layoffs, only to have to hire at least that many people to replace the roughly 265 eligible retirees through 2015. The wiser strategy from an organizational continuity standpoint was to foreshorten the retirement target for those eligible to retire by 2015, in order to eliminate sufficient numbers of those positions to achieve budget balancing, while also taking the unique opportunity to rationalize the way the City does business. These positive outcomes would have been much more difficult to achieve through a traditional budget cutting/layoff approach.

The capstone of the program is the pledge on the part of the City to hold the Pension Fund harmless financially for the impact of this program. While the long-term impact of the ERI program is estimated to be close to zero, nevertheless the City has pledged in the Adopted FY 2012 Budget and Fiscal Plan to contribute an amount equivalent to the cost of the ERI Incentive Bonus payments, equal to 1% of Final Average Compensation multiplied by years of service. The resulting payments of \$4.4 million of ERI Incentive Bonuses would require annual payments of roughly \$1 million from City operational funds for 5 years, of which the General Fund would provide roughly \$600 thousand a year.

The Early Retirement Initiative provided the opportunity for the organization to reduce positions and save operational dollars. In order to fully realize these changes in a deliberate, intelligent and cohesive fashion, a comprehensive SAP was designed at the departmental level representing the best available on the ground thinking about how to achieve budgetary rebalancing while maintaining critical service capacity.

The immediate fiscal outcome of the ERI/SAP program is the projected elimination of vacated positions, which would produce roughly \$7.3 million of structural reductions across the City, of which \$4.4 million would accrue to the General Fund and General Fund subsidized activities when fully realized in FY 2014 (with interim savings projected in FY 2012 of \$2.7 million and \$3.7 million in FY 2013).

#### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kalamazoo for its comprehensive annual financial report for the fiscal year ended December 31, 2011. This was the sixteenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a government had to publish an easily readable and efficiently organized comprehensive annual finance report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current report continues to meet the Certificate of Achievement Program's requirements and we are submitting in to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the City of Kalamazoo. We want to thank all involved in the financial monitoring and reporting of City activities, especially the Budget & Accounting Division and specifically Thomas C. Skrobola, CFO and Director of Management Services, Management Service Deputy Director / Comptroller, Patsy Moore and Financial Services Manager, Jennifer Clark. Credit also must be given to the mayor and the governing commission for their unfailing support to maintaining the highest standards of professionalism in the management of the City of Kalamazoo's finances.

Respectfully submitted,



Kenneth P. Collard  
City Manager

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kalamazoo  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Christopher P. Morill*

President

*Jeffrey R. Enos*

Executive Director

City of Kalamazoo  
Comprehensive Annual Financial Report  
Year Ended December 31, 2012

LIST OF CITY OFFICIALS

CITY COMMISSION

Bobby J. Hopewell, Mayor  
Hannah J. McKinney, Vice Mayor  
David Anderson  
Stephanie Moore  
Donald Cooney  
Barbara Hamilton Miller  
Bob Cinabro

CITY MANAGER

Kenneth P. Collard, ICMA-CM, P.E.

DEPUTY CITY MANAGER

Jerri Barnett-Moore

MANAGEMENT SERVICES DEPARTMENT

Thomas C. Skrobola, Management Services Director/CFO  
Patsy Moore, Deputy Management Services Director/Comptroller

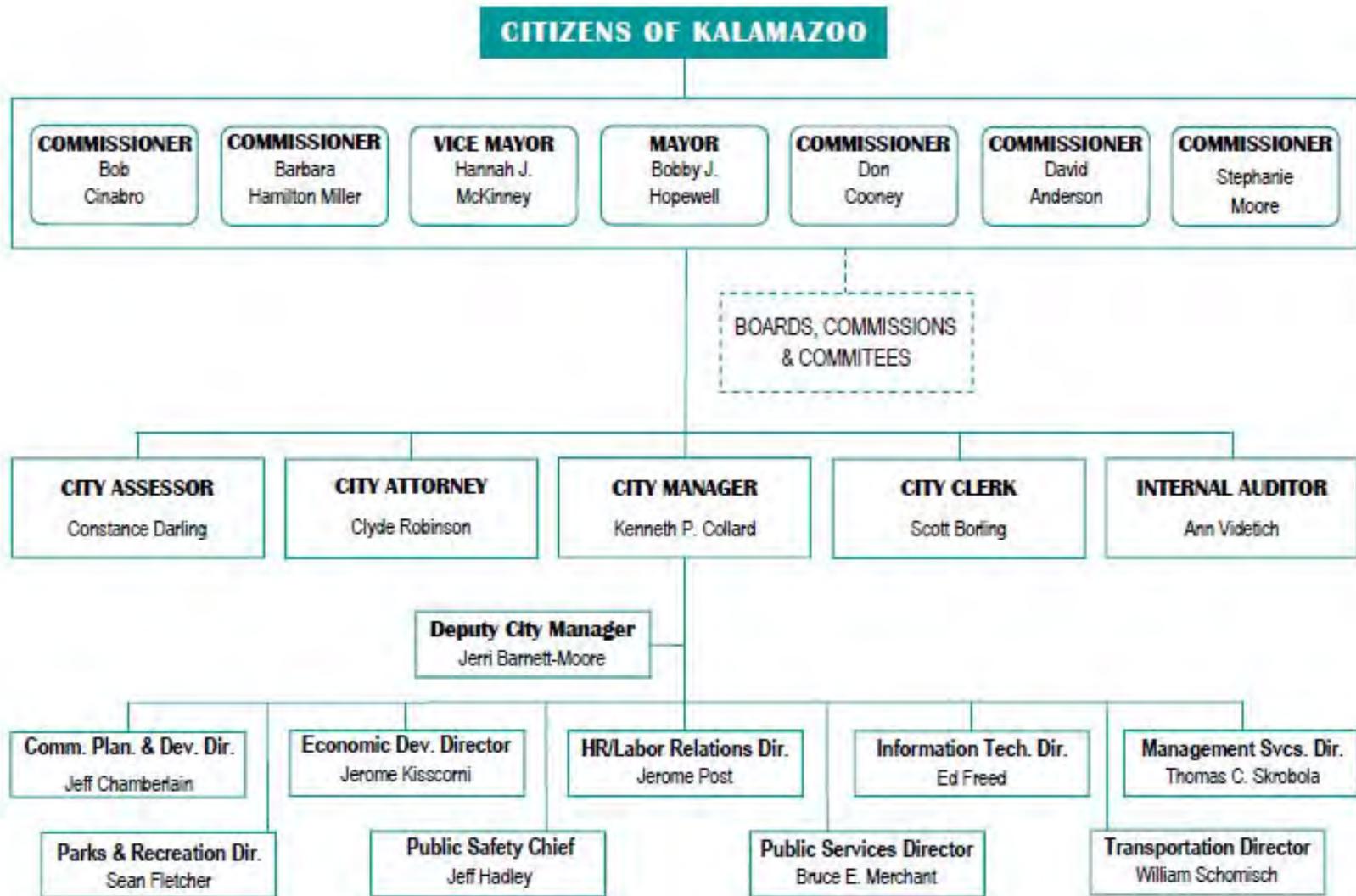
Wade Carlson, City Treasurer  
Constance Darling, City Assessor  
Nicholas Lam, Purchasing Director

CITY COMMISSION APPOINTEES

Scott Borling, City Clerk  
Aaron Powers, City Assessor  
Ann Videtich, Internal Auditor  
Clyde Robinson, City Attorney

# CITY OF KALAMAZOO

## 2012 Organizational Chart



Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Commission  
City of Kalamazoo, Michigan

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kalamazoo, Michigan, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Downtown Development Authority, which represents 5 percent, -9 percent, and 23 percent, respectively, of the assets, net position, and revenues of aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Downtown Development Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kalamazoo, Michigan, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As discussed in Note T, during the year the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* during the fiscal year. As a result of this implementation, the format and reporting of the financial statements has changed to reflect the required components of GASB Statement No. 63, as applicable. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and historical pension supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kalamazoo, Michigan's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2013, on our consideration of the City of Kalamazoo, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Kalamazoo, Michigan's internal control over financial reporting and compliance.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

June 27, 2013

## Management's Discussion and Analysis

As management of the City of Kalamazoo, Michigan, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$265,435,967 (*net position*);
- The government's total net position decreased by \$6,473,070 or 2 percent. This net decrease was a combination of a \$7.4 million decrease in governmental activities net position and a \$919,915 increase in business-type activity net position;
- The City's balance of bonded debt increased by \$3.10 million during the current fiscal year. The City issued \$4.4 million and \$6.1 million in General Obligation Bonds and Revenue Bonds, respectively, and made scheduled bond principal payments totaling \$7.4 million. The City also issued refunding bonds in the amount of \$5.37 million, which defeased \$5.35 million of bonded debt.
- As of the close of the 2012 fiscal year, the City's *governmental funds* reported combined ending fund balances of \$27,561,267, an increase of \$106,524 in comparison of the prior year. Approximately 12.9 percent of the combined fund balances, or \$3,557,092 was available for spending at the government's discretion ("*unassigned fund balance*").
- The General Fund *non-GAAP, budgetary* (see explanation under the General Fund financial analysis) fund balance was \$10,056,433, or 19.8 percent of the total General Fund budgetary revenues and other financing sources. Of the total \$10.1 million fund balance, \$626,548 was nonspendable, leaving \$9.4 million, or 18.6 percent of budgetary revenues and other financing sources. The General Fund *GAAP* unassigned fund balance for the general fund was \$3,557,092, or 7.0 percent of total general fund revenues and other financing sources.
- Combined enterprise funds net position increased \$919,915. This included an increase of \$1,998,776 in the net position in the Water Fund, and a \$1,102,764 decrease of net position in the Wastewater fund, with the Wastewater decrease being due to the planned use of contributed funds during 2012 for the completion of the retrofit the Wastewater Treatment Plant.

### Overview and Analysis of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Kalamazoo's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

# Management's Discussion and Analysis

## Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these items reported as *net position*. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation and sick leave)

Both the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, highways and streets, parks and recreation, economic development and community development. The business-type activities of the City include wastewater, water and other enterprise operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also legally separate entities for which the City is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself. The Building Authority, although also legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 1-3 of this report.

## Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

### *Governmental funds*

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

## Management's Discussion and Analysis

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains approximately twenty (20) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the City's general fund and the Building Authority Debt Service fund. Data from the other seventeen (18) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general, and special revenue funds. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 4-7 of this report.

### ***Proprietary funds***

The City maintains two different types of proprietary funds, *enterprise funds* and *internal service funds*. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its wastewater, water, and farmer's market. *Internal service funds* are an accounting device used to accumulate and allocate cost internally among the City's various functions. The City uses an internal service fund to account for its self-insurance services. These services predominantly benefit governmental rather than business-type functions, however, they have been allocated between *governmental activities* and *business-type activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the wastewater and water systems, which are considered to be major funds of the City. Conversely, all of the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 10-13 of this report.

### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary funds financial statements can be found of pages 14-15 of this report.

# Management's Discussion and Analysis

## Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-55 of this report.

## Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to a schedule concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 56-57 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund financial statements and schedules can be found on pages 58-92 of this report.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Kalamazoo, assets exceeded liabilities by \$265,435,967 at the close of the most recent fiscal year.

By far the largest portion of the City's net position, \$272,377,000, reflects its investment in capital assets (e.g. land, land improvements, buildings, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$16,778,462, represents resources that are subject to external restrictions on how they may be used. Restricted net position includes amounts set aside for endowments, debt service, debt-financed projects, long-term advances, and externally mandated commitments. The remaining balance of *unrestricted net position*, the amount that may be used to meet the government's ongoing obligations to citizens and creditors, is \$(23,719,306), representing the amount of money that the City would have available to instantaneously satisfy all accrued future liabilities without recourse to the proceeds from the sale of any capital assets.

## Management's Discussion and Analysis

### City of Kalamazoo's Net Position

December 31, 2011 and December 31, 2012

	Governmental activities		Business-type activities		Total	
	2011	2012	2011	2012	2011	2012
Current and other assets	\$ 49,314,170	\$ 44,668,395	\$ 30,137,926	\$ 36,643,534	\$ 79,452,096	\$ 81,311,929
Capital assets, net	178,610,852	175,825,402	177,810,732	176,031,700	356,421,584	351,857,102
Total assets	<u>227,925,022</u>	<u>220,493,797</u>	<u>207,948,658</u>	<u>212,675,234</u>	<u>435,873,680</u>	<u>433,169,031</u>
Long-term liabilities outstanding	99,001,926	102,582,463	38,474,090	44,195,431	137,476,016	146,777,894
Other liabilities	19,754,180	16,135,403	6,734,447	4,819,767	26,488,627	20,955,170
Total liabilities	<u>118,756,106</u>	<u>118,717,866</u>	<u>45,208,537</u>	<u>49,015,198</u>	<u>163,964,643</u>	<u>167,733,064</u>
Net position:						
Investment in capital assets	125,529,739	122,960,589	152,806,937	149,416,222	278,336,676	272,376,811
Restricted	6,245,794	13,946,502	2,524,960	2,831,960	8,770,754	16,778,462
Unrestricted	<u>(22,606,617)</u>	<u>(35,131,160)</u>	<u>7,408,224</u>	<u>11,411,854</u>	<u>(15,198,393)</u>	<u>(23,719,306)</u>
Total net position	<u>\$ 109,168,916</u>	<u>\$ 101,775,931</u>	<u>\$ 162,740,121</u>	<u>\$ 163,660,036</u>	<u>\$ 271,909,037</u>	<u>\$ 265,435,967</u>

The government's total net position decreased by \$6,473,070 or 2 percent. The net decrease in total net position was a combination of a \$7.4 million decrease in governmental activities net position and an \$919,915 increase in business-type activity net position. By far the largest single impact on the above changes was the annual accrual of \$6.9 million in OPEB expenses, net of approximately \$3 million that was pre-funded.

### City of Kalamazoo's Changes in Net Position For the Year Ended December 31, 2011 and December 31, 2012

	Governmental activities		Business-type activities		Total	
	2011	2012	2011	2012	2011	2012
Revenue:						
Program revenue:						
Charges for services	\$ 14,164,777	\$ 12,658,814	\$ 30,697,543	\$ 35,159,297	\$ 44,862,320	\$ 47,818,111
Operating grants and contributions	20,982,518	15,765,684	238,233	266,929	21,220,751	16,032,613
Capital grants and contributions	1,163,643	655,181	3,308,895	1,733,898	4,472,538	2,389,079
General revenue:						
Property taxes	33,313,845	30,457,012	-	-	33,313,845	30,457,012
State shared revenues - unrestricted	8,063,444	7,939,441	-	-	8,063,444	7,939,441
Other	1,112,422	2,110,157	149,432	122,032	1,261,854	2,232,189
Total revenue	<u>78,800,649</u>	<u>69,586,289</u>	<u>34,394,103</u>	<u>37,282,156</u>	<u>113,194,752</u>	<u>106,868,445</u>
Expenses:						
General government	8,471,082	10,168,516	-	-	8,471,082	10,168,516
Public safety	45,215,879	36,120,760	-	-	45,215,879	36,120,760
Public works	8,203,148	6,190,744	-	-	8,203,148	6,190,744
Streets	11,891,392	10,671,779	-	-	11,891,392	10,671,779
Community and economic development	20,466,820	8,667,696	-	-	20,466,820	8,667,696
Parks and recreation	3,182,766	2,781,196	-	-	3,182,766	2,781,196
Interest on long-term debt	2,717,822	2,378,583	-	-	2,717,822	2,378,583
Wastewater	-	-	23,435,464	21,769,136	23,435,464	21,769,136
Water	-	-	15,415,808	14,525,327	15,415,808	14,525,327
Other	-	-	135,204	67,778	135,204	67,778
Total expenses	<u>100,148,909</u>	<u>76,979,274</u>	<u>38,986,476</u>	<u>36,362,241</u>	<u>139,135,385</u>	<u>113,341,515</u>
Change in net position before transfers	(21,348,260)	(7,392,985)	(4,592,373)	919,915	(25,940,633)	(6,473,070)
Transfers (out) in	3,777,353	-	(3,777,353)	-	-	-
Change in net position	<u>(17,570,907)</u>	<u>(7,392,985)</u>	<u>(8,369,726)</u>	<u>919,915</u>	<u>(25,940,633)</u>	<u>(6,473,070)</u>
Net position - beginning	<u>126,739,823</u>	<u>109,168,916</u>	<u>171,109,847</u>	<u>162,740,121</u>	<u>297,849,670</u>	<u>271,909,037</u>
Net position - end of year	<u>\$ 109,168,916</u>	<u>\$ 101,775,931</u>	<u>\$ 162,740,121</u>	<u>\$ 163,660,036</u>	<u>\$ 271,909,037</u>	<u>\$ 265,435,967</u>

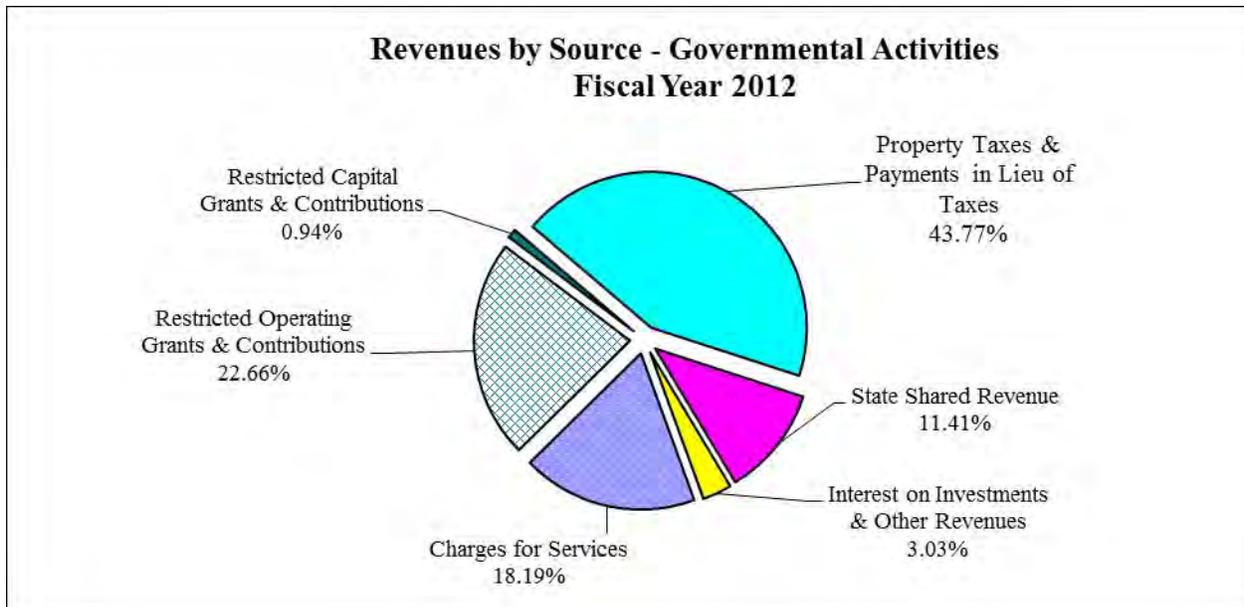
# Management's Discussion and Analysis

## Governmental activities

Governmental activities decreased the City's net position \$7.4 million. This was primarily due to Net OPEB Expenses, which is based on the annual accrual of OPEB liabilities net of approximately \$3 million that was pre-funded.

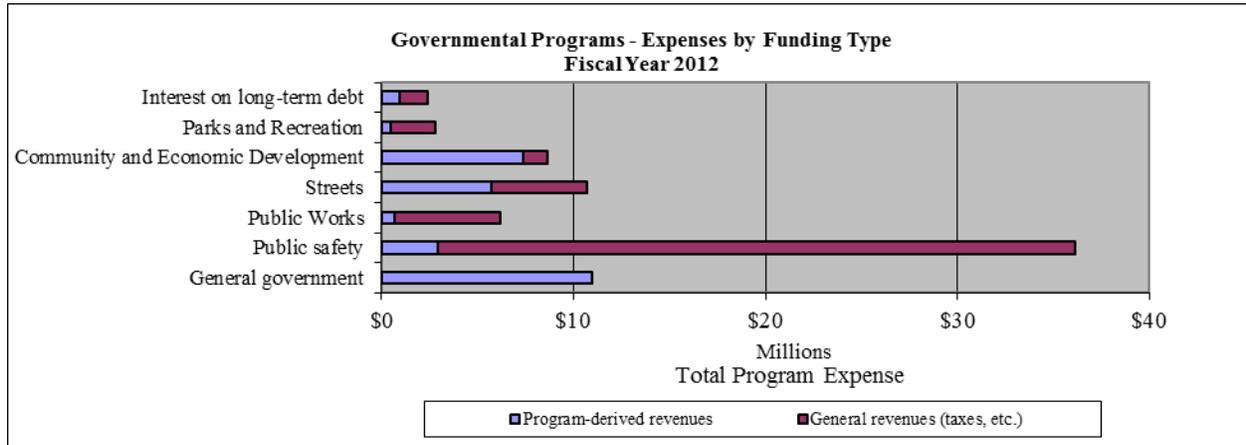
GAAP requires that the City show a portion of our long-term liability for retiree health care and death benefits or other post-employment benefits (OPEB) promised in the future as a current expense on our entity-wide financial statements. The total Actuarially Accrued Liability (AAL) of \$191 million for Other Post Employment Benefits has been amortized to an Annually Required Contribution (ARC) of roughly \$14.8 million for 2012. After crediting current payments for retiree health care of \$6.8 million, a net OPEB expense of \$6.9 million is spread amongst the various activities shown above.

While some revenue for governmental activities is derived from charges specific to programs, the majority of programs are generally subsidized by tax revenues and/or by intergovernmental aid. In total, for fiscal year 2012, 58 percent of governmental program expenses were funded by a combination of property taxes, revenue sharing from the State of Michigan, unrestricted grants and contributions, interest earnings, and reserves as depicted on the following chart.



## Management's Discussion and Analysis

The following chart depicts the total expenses for each governmental program for the City of Kalamazoo and the degree to which they are self-supporting and/or subsidized.



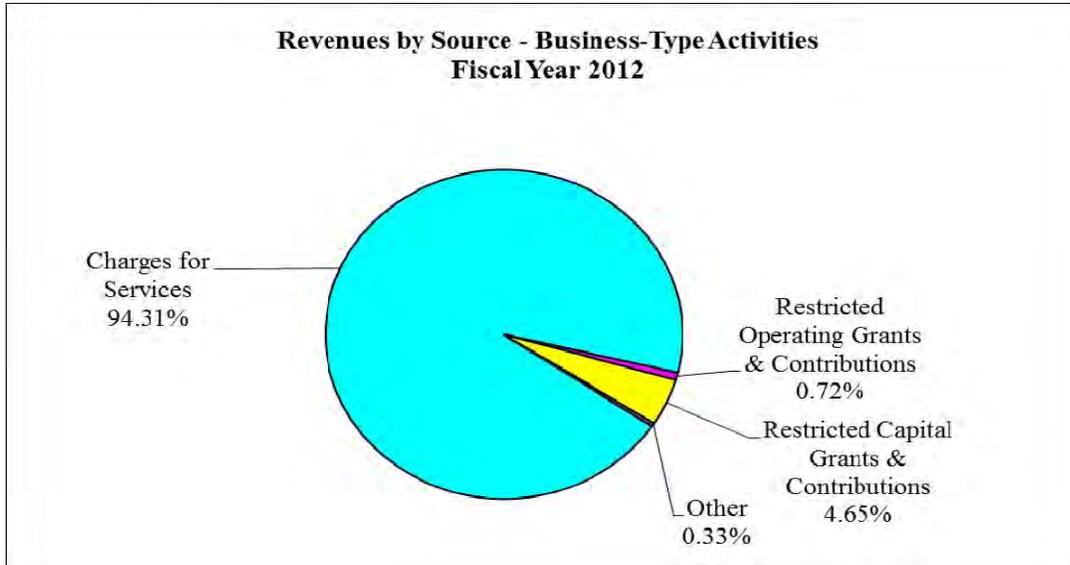
### Business-type activities

Business-type activities increased the City's net position by \$919,915. The key elements of this increase are as follows:

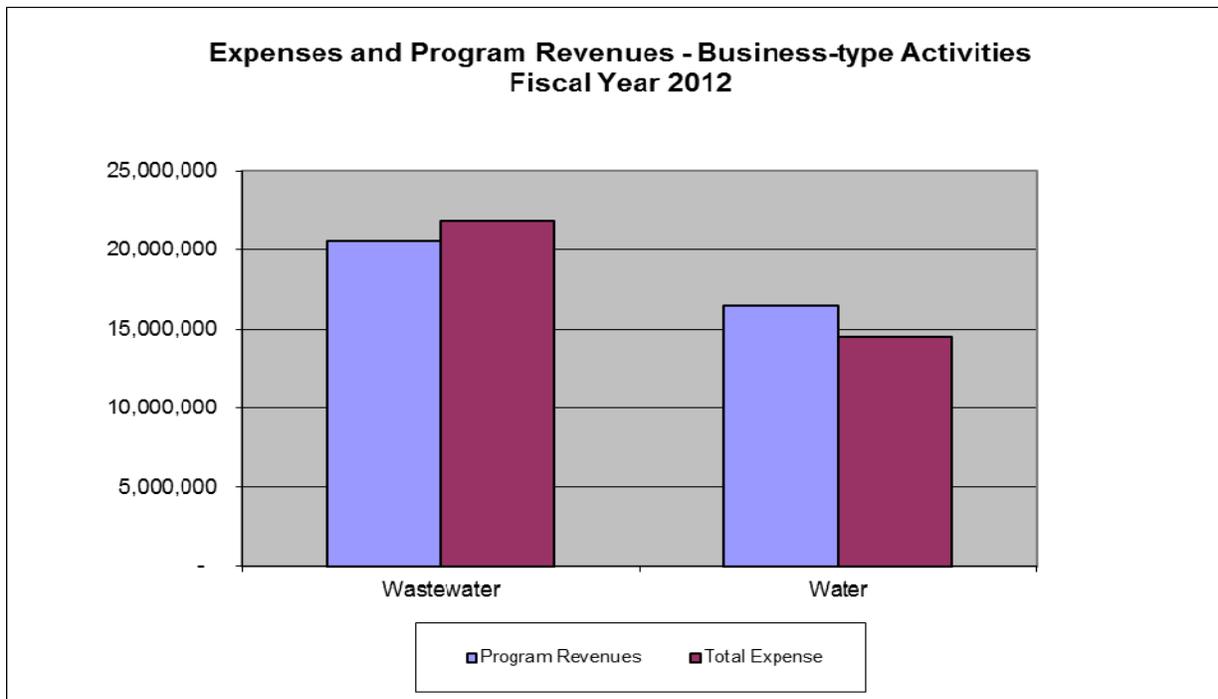
- There was an increase in operating revenue of \$2.3 million for the Wastewater system due primarily to an increase in wastewater consumption and a revenue rate increase of 5%;
- There was an increase in operating revenue of \$2.1 million for the Water system due primarily to an increase in water consumption and a revenue rate increase of 5%;
- Capital contributions of \$1.6 million represented a major revenue source for the Water system during the current fiscal year.

In contrast to governmental activities, business-type activities are funded through user fees and charges. Business-type activities of the City include wastewater, water, and a farmer's market.

## Management's Discussion and Analysis



The following chart depicts the total expenses for each business-type activity for the City of Kalamazoo and the degree to which they are self-supporting and/or subsidized.



### Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

## Management's Discussion and Analysis

### *Governmental funds*

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available at the end of the fiscal year.

As of the close of the current fiscal year, the City's *governmental funds* reported combined ending fund balances of \$27,561,267 an increase of \$106,524 in comparison of the prior year. Approximately 12.9 percent of the combined fund balances, or \$3,557,092, was available for spending at the government's discretion ("*unassigned fund balance*").

The remainder of fund balance is *nonspendable, restricted, committed, or assigned* to indicate that it is not available for new spending because it has already been committed 1) for encumbrances, inventories, and prepaid expenditures, 2) for advances to other funds and component units, 3) to generate income to pay for the municipal cemetery and future recreation programs, and 4) designated for use for next year's expenditures.

### **General Fund**

The general fund is the chief operating fund of the City of Kalamazoo. Some property tax collections, \$2,369,396 for 2012, are collected after the time period allowed for revenue recognition by Generally Accepted Accounting Principles (GAAP). As a result, the City reports two fund balances in the fund financial statements, a "GAAP" fund balance and a "non-GAAP, budgetary basis" fund balance.

The City has a formal unassigned fund balance policy target, using the *non-GAAP, budgetary* fund balance, of 13-15 percent of total general fund revenues and other financing sources. The General Fund *non-GAAP, budgetary* (see explanation under the General Fund financial analysis) fund balance was \$10,056,433, or 19.8 percent of the total General Fund budgetary revenues and other financing sources. Of the total, \$10.1 million fund balance, \$626,548 was nonspendable or committed, leaving \$9.4 million, or 18.6 percent of budgetary revenues and other financing sources.

The General Fund *GAAP* unassigned fund balance for the general fund was \$3,557,092 or 7.0 percent of total general fund revenues and other financing sources.

Budgetary-basis revenues and other financing sources came in \$2,838,993 less than the amended budget. Expenditures and other financing uses were \$1,850,923 below budget, resulting in the unfavorable variance of \$988,070. The major cause for these variances was the elimination of legacy Internal Service Fund (ISF) revenue and expenditures that were cost centered in former ISF units and allocated to other General Fund units.

## **Management's Discussion and Analysis**

### **Building Authority Debt Service Fund**

This debt service fund is used to account for the debt service activity of the Kalamazoo Building Authority, a blended component unit. Resources consist of the collection of lease payments by the Downtown Development Authority, as well as transfers from other funds for Building Authority-related debt repayment. While this fund generally operates on a cash-in, cash-out basis, it is designated as a major fund because of the relative size of assets and liabilities as compared to other funds.

During the year, the fund balance decreased from \$61,469 to \$61,151. The fund balance is comprised of accumulated interest earnings and bond proceeds, which will be used to offset debt service payments in future years.

### **Other (Nonmajor) Governmental Funds**

During the year, the combined fund balance for the City's nonmajor governmental funds increased from \$17,831,917 to \$19,813,079. The \$19.8 million fund balance is attributable to capital improvement projects funds (\$1.44 million), special revenue funds (\$12 million) and endowments held for recreational and cemetery perpetual care purposes (\$6.2 million). Because resources for these funds are, for the most part, restricted to specific purposes, their fund balances are not available for general government use.

### ***Proprietary Funds***

The City's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

### **Wastewater Fund**

*Unrestricted* net position (the amount available for future spending) of the City's Wastewater fund amounted to \$11 million as of December 31, 2012. The fund had a decrease in total net position for the year of \$1,102,764.

The Wastewater Fund experienced an operating loss of \$898,520 due almost entirely to the annual accrual of OPEB costs. The city is developing a strategy that will be implemented in 2013 to address the pre-funding of this liability.

The City has a financial policy, which targets minimum levels for certain reserves in the Wastewater Fund. The Operating Reserve (working capital) should be at least 90 days of budgeted operation & maintenance expense; and the Emergency Capital Reserve should be at least equal to the prior year's depreciation expense. As of December 31, 2012, the balances in these reserves were at or above the minimum levels.

### **Water Fund**

*Unrestricted* net position (the amount available for future spending) of the City's Water fund amounted to \$345,124 as of December 31, 2012. The fund had an increase in total net position for the year of \$1,998,776.

The Water Fund experienced an operating income of \$1,476,792, due to a decrease in expenses and a revenue rate increase. This was offset by \$1,020,028 of interest expense on long-term debt.

## Management's Discussion and Analysis

The City has a financial policy, which targets minimum levels for certain reserves in the Water Fund. The Operating Reserve (working capital) should be at least 90 days of budgeted operation & maintenance expense. As of December 31, 2012, the Operating Reserves were at or above the minimum levels. The Emergency Capital Reserve is required to be at least equal to the prior year's depreciation expense. As of December 31, 2012, the water fund did not have sufficient available resources for this reserve.

### Other Enterprise Funds

During the year, the net position for the City's nonmajor proprietary fund increased from \$89,732 to \$113,652. The City Market (farmers' market) Fund represents the entire net position balance, the unrestricted portion (not invested in fixed assets) being \$46,966.

### General Fund Budgetary Highlights

During the year, there was a decrease of \$204,841 in appropriations between the original and final amended General Fund budget adopted by the City Commission. The main component of this change is an amended budget that recognized an increase in vacancy savings as a result of the Early Retirement Incentive program.

### Capital Asset and Debt Administration

#### *Capital Assets*

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2012, totaled \$351 million (net of accumulated depreciation). This investment in capital assets includes land; land improvements; buildings; water, wastewater, and storm sewer systems; vehicles and equipment; park facilities; roads; highways; and bridges. Net capital assets decreased \$2.8 million or 1.6 percent for governmental activities while net business-type activity net assets decreased \$1.78 million, or 1.0 percent.

Major capital asset events during the current fiscal year included the following:

- Water system upgrades totaling \$1 million;
- Wastewater system upgrades totaling \$1.5 million;
- General government facility improvements of \$117 thousand;
- Public Works improvements totaling \$550 thousand;
- Public Safety equipment totaling \$193 thousand, including mobile radio equipment and dispatch equipment replacements;
- Parks upgrades in the amount of \$326 thousand;
- Construction, reconstruction, or widening of streets and sidewalks in the amount of \$2.7 million.

## Management's Discussion and Analysis

Additional information on the City's capital assets, including detailed changes from 2012, can be found in Note F on pages 35-38 of this report.

### City of Kalamazoo's Capital Assets (net of depreciation) for year end

	Governmental activities		Business-type activities		Total	
	2011	2012	2011	2012	2011	2012
Land	\$ 29,859,008	\$ 29,857,853	\$ 3,268,225	\$ 3,268,225	\$ 33,127,233	\$ 33,126,078
Building & improvements	39,175,300	38,144,397	50,329,002	49,337,669	89,504,302	87,482,066
Land improvements	8,900,534	8,617,780	4,844,853	4,519,945	13,745,387	13,137,725
Machinery & equipment	2,484,318	3,538,866	12,019,992	10,874,889	14,504,310	14,413,755
Vehicles	3,559,823	2,985,783	497,870	703,450	4,057,693	3,689,233
Infrastructure	85,957,997	84,237,173	97,135,921	97,479,976	183,093,918	181,717,149
Intangible Assets	316,722	435,144	615,109	438,578	931,831	873,722
Construction in progress	8,357,150	8,008,406	9,099,760	9,408,967	17,456,910	17,417,373
<b>Total</b>	<b>\$ 178,610,852</b>	<b>\$ 175,825,402</b>	<b>\$ 177,810,732</b>	<b>\$ 176,031,699</b>	<b>\$ 356,421,584</b>	<b>\$ 351,857,101</b>

### *Long-term debt*

- The City's balance of bonded debt increased by \$3.10 million during the current fiscal year. The City issued \$4.4 million and \$6.1 million in General Obligation Bonds and Revenue Bonds, respectively, and made scheduled bond principal payments totaling \$7.4 million. The City also issued refunding bonds in the amount of \$5.37 million, which defeased \$5.35 million of bonded debt.

#### General obligation bonds

The City issues direct obligations where the government pledges the full faith and credit of the City. These bonds are issued as serial bonds with varying amounts of principal maturing each year. The balance of outstanding general obligation bonds as of December 31, 2012 is \$49.75 million.

#### Revenue Bonds

The City also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The balance of outstanding revenue bonds as of December 31, 2012 is \$5.595 million for governmental activities and \$32.5 million for business activities.

#### Special Assessment Debt

The City issues special assessment limited tax bonds to provide funds for certain downtown street improvement projects. The City intends to repay this debt through collections of special assessments. However, these bonds are backed by the full faith and credit of the City and, in the event that special assessment revenues are insufficient to cover debt service expenditures, the City is obligated to make up any shortfall. The balance of outstanding special assessment bonds as of December 31, 2012 is \$45 thousand.

## Management's Discussion and Analysis

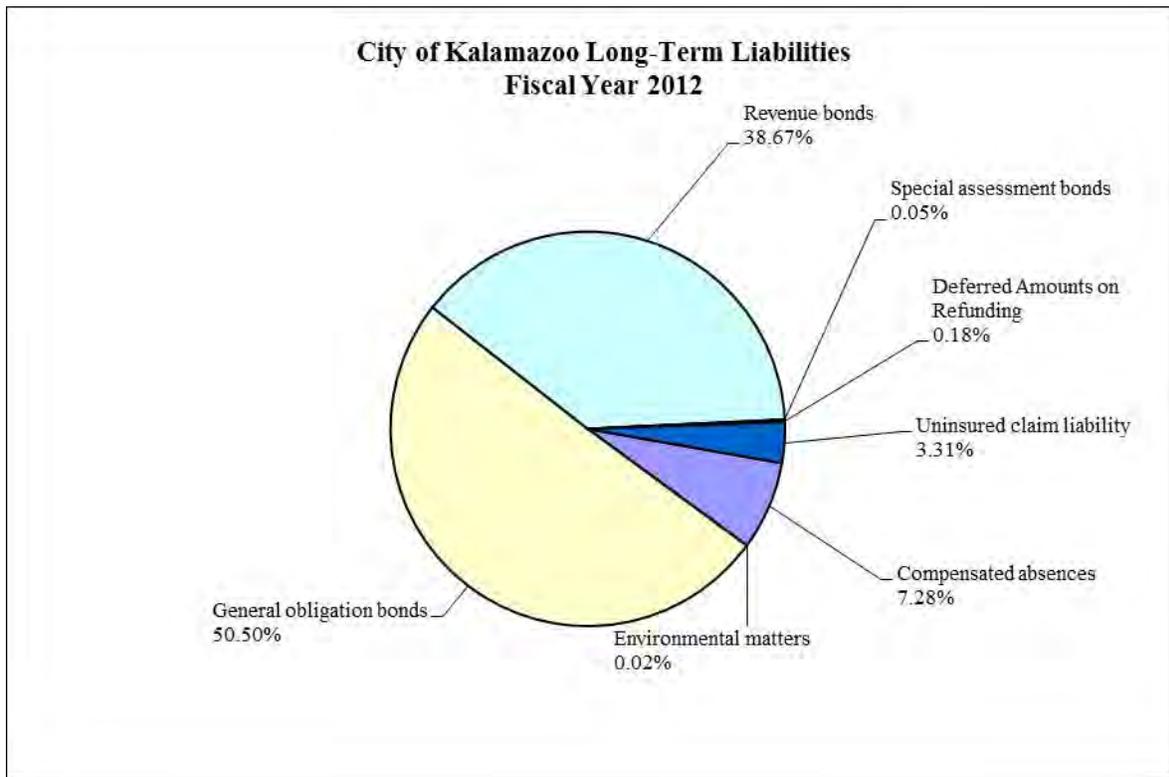
### Compensated Absences

The City has accumulated a long-term liability for absences that have been earned by employees but not yet redeemed. The balance of compensated absences as of December 31, 2012 is \$7.2 million.

### Insurance Claims and Environmental Matters

The City has estimated its liability for various legal issues that the City is aware of as of 2012. The estimated liability to the City is \$3.274 million.

The major categories of long-term liabilities are depicted in the following graph:



Additional information on the City's long-term debt, including comparisons by category to 2011, can be found in note disclosures on pages 38-44.

The following chart depicts the City's credit rating for the various outstanding debt and the different rating agencies as of December 31, 2012.

	<b>S&amp;P</b>
Water and wastewater revenue bonds	AA/Stable
General obligation limited tax bonds	AA/Stable
General obligation unlimited tax bonds	AA/Stable

# Management's Discussion and Analysis

## Economic Factors and Next Year's Budgets and Rates

The City of Kalamazoo is a mid-sized, urban Michigan municipality. Like many other urban communities, the City is "built-out", meaning its land, for the most part, is developed, and that other local units of government, which prohibits any boundary expansion, surround it. While proactive in its economic development policies (see the Transmittal Letter for a more in-depth description), the City faces challenges common of most aging urban communities.

The City is home to the main campuses of Western Michigan University, from which the City derives immense economic and intellectual benefits. However, because of the university's location, as well as being the County seat, 40 percent of the City's land is considered non-taxable. Furthermore, the voters to the State of Michigan have, over the years, enacted two property tax growth control measures, the "Headlee Amendment" and "Proposal A". These measures have the effect of limiting property tax revenue growth to the rate of inflation, which has been unusually low in recent years, and normally does not reflect the inflation of the cost of doing the people's business.

Since 2002, the City and other Michigan local governments have experienced a significant reduction in state revenue sharing. As a result of above-mentioned factors, the City levies the maximum charter millage rate. Reductions in state revenue sharing, a cumulative amount over \$14 million since 2000, combined with the property tax limitation measures and the large amount of tax-exempt properties, have presented significant challenges to the City in maintaining service levels. State revenue sharing has decreased as a percent of the General Fund Budget from 28% in 2001 to 15% in 2012.

The unprecedented economic crisis which took shape in late 2008 and which obliterated millions of jobs and trillions of dollars of wealth across the country has severely impacted the automakers located in Michigan. The state's unemployment statistics are improving, however it is unclear if it is because people are choosing not to participate or if local companies are adding new jobs. Until a clearer trend is identified, this statistic will remain questionable as an indicator of improved economic health.

The state has significantly altered the distribution of state revenue sharing. The new model calls for the elimination of Statutory Revenue Sharing, to be replaced with an incentive program. The criteria for the incentive based program are threefold: (1) transparency in the form of a "dashboard" and "Citizen's Guide", (2) plans for consolidation and efficiency efforts and (3) plans for employee compensation reform. While the City believes that it will be very competitive with other Cities and Villages in meeting these criteria, the overall state revenue sharing to the city shows a decrease in 2012 from the actual revenue sharing in 2011.

Assessed property taxes decreased approximately 6.2% in 2012 as compared to 2011. Overall, the City has experienced a decline in property tax levies of nearly \$4.1 million since 2009, primarily due to a decline in commercial and residential property values.

In 2012 the value of the Retirement System net assets held in trust for pension benefits increased by 10 percent, as compared to a decrease of 5.5 percent in 2011. Because the Retirement System holds investments in equities and other stock market securities, value of investments are subject to market volatility. In 2012, the market rate of return had a positive impact on net position.

## **Management's Discussion and Analysis**

To address these fiscal challenges, the City continues to alter its fiscal outlook by utilizing a two-year rolling budget presentation as well as a five-year fiscal plan for the General Fund, Major and Local Streets, and the Capital Improvement program funds.

The City of Kalamazoo's General Fund Reserve Policy guides the creation, maintenance and use of reserves. The fund balance of the General Operating Fund will be budgeted within the target range of 13 - 15 percent of budgeted annual operating revenues. The City has created two additional reserve accounts to provide fiscal stability from year to year and provide emergency funds to replace unanticipated equipment failures or for unscheduled economic development initiatives.

The 2013 fiscal year budget decreases operational General Fund spending by 5.1 percent from fiscal year 2012 adopted budget. The General Fund will transfer a \$2.4 million for capital improvement program projects and \$800,000 for Local Street operations. Savings in healthcare cost due to system redesign resulted in a budgeted rebate of \$900 thousand to offset expenditures. The City is budgeted to use \$1.3 million of reserves to cover budgeted expenditures in the General Fund in 2013.

For fiscal year 2013, the ending fund balance is budgeted to satisfy the City Commission Policy of requiring 13 percent of revenues and other financing sources.

Property tax millage rates are budgeted to remain the same in fiscal year 2013.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Thomas C. Skrobola, the City's Management Services Director/CFO, at 241 W. South Street, Kalamazoo, Michigan 49007.

## **BASIC FINANCIAL STATEMENTS**

City of Kalamazoo

STATEMENT OF NET POSITION

December 31, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 9,952,072	\$ 18,429,818	\$ 28,381,890	\$ 4,816,202
Cash and cash equivalents, restricted	4,865,834	8,612,277	13,478,111	1,361,292
Investments	8,975,603	2,996,869	11,972,472	4,622,690
Investments with agents	2,596,985	-	2,596,985	-
Current portion of receivables	5,026,254	5,621,433	10,647,687	1,601,003
Internal balances	704,065	(704,065)	-0-	-
Due from other governmental units	5,374,715	151,777	5,526,492	1,945,444
Inventories	458,310	638,898	1,097,208	373,677
Prepays	58,261	44,042	102,303	625
Total current assets	38,012,099	35,791,049	73,803,148	14,720,933
Noncurrent assets				
Advance to other governmental units	3,931,195	59,638	3,990,833	-
Deferred charges	1,137,873	792,847	1,930,720	-
Noncurrent portion of receivables	1,587,228	-	1,587,228	1,362,931
Capital assets not being depreciated	37,866,259	12,677,193	50,543,452	4,246,054
Capital assets, net of accumulated depreciation	137,959,143	163,354,507	301,313,650	21,238,964
Total noncurrent assets	182,481,698	176,884,185	359,365,883	26,847,949
<b>TOTAL ASSETS</b>	<b>220,493,797</b>	<b>212,675,234</b>	<b>433,169,031</b>	<b>41,568,882</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	1,583,918	1,050,639	2,634,557	1,105,331
Accrued payroll	1,343,243	-	1,343,243	-
Accrued interest payable	593,917	497,465	1,091,382	54,316
Other accrued liabilities	1,516,280	23,551	1,539,831	711,855
Deposits payable	909,158	660,789	1,569,947	-
Due to other governmental units	430,164	317,749	747,913	1,049,927
Unearned revenue	277,399	-	277,399	2,089,382
Advances from other governmental units	-	-	-0-	1,802,818
Current portion of compensated absences	1,759,611	189,832	1,949,443	78,365
Current portion of long-term debt	6,054,432	2,079,742	8,134,174	914,167
Current portion of uninsured claim liability	1,667,281	-	1,667,281	-
Total current liabilities	16,135,403	4,819,767	20,955,170	7,806,161
Noncurrent liabilities				
Noncurrent portion of advances from other governmental units	-	-	-0-	1,335,308
Noncurrent portion of compensated absences	4,607,809	617,916	5,225,725	162,283
Noncurrent portion of long-term debt	49,634,157	30,316,053	79,950,210	3,491,393
Noncurrent portion of uninsured claim liability	1,591,615	-	1,591,615	-
Net other post-employment benefits obligation	46,748,882	13,261,462	60,010,344	3,722,509
Total noncurrent liabilities	102,582,463	44,195,431	146,777,894	8,711,493
<b>TOTAL LIABILITIES</b>	<b>118,717,866</b>	<b>49,015,198</b>	<b>167,733,064</b>	<b>16,517,654</b>
<b>NET POSITION</b>				
Net investment in capital assets	122,960,589	149,416,222	272,376,811	24,255,765
Restricted				
Nonexpendable	3,627,564	-	3,627,564	-
Expendable, restricted for:				
Major and local street projects	4,302,179	-	4,302,179	-
Solid waste program	1,179,972	-	1,179,972	-
Parks and recreation	528,574	-	528,574	-
Neighborhood and community development	1,020,025	-	1,020,025	-
Other purposes	3,288,188	2,831,960	6,120,148	-
Unrestricted	(35,131,160)	11,411,854	(23,719,306)	795,463
<b>TOTAL NET POSITION</b>	<b>\$ 101,775,931</b>	<b>\$ 163,660,036</b>	<b>\$ 265,435,967</b>	<b>\$ 25,051,228</b>

See accompanying notes to financial statements.

City of Kalamazoo

STATEMENT OF ACTIVITIES

Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 10,168,516	\$ 10,614,076	\$ 375,393	\$ -
Public safety	36,120,760	574,428	1,726,606	597,554
Public works	6,190,744	97,729	586,745	-
Streets	10,671,779	-	5,730,798	-
Community and economic development	8,667,696	1,069,568	6,272,561	57,627
Parks and recreation	2,781,196	303,013	150,644	-
Interest on long-term debt	2,378,583	-	922,937	-
Total governmental activities	76,979,274	12,658,814	15,765,684	655,181
Business-type activities				
Wastewater	21,769,136	20,484,471	-	93,018
Water	14,525,327	14,583,205	266,929	1,640,880
City Market	67,778	91,621	-	-
Total business-type activities	36,362,241	35,159,297	266,929	1,733,898
Total primary government	<u>\$ 113,341,515</u>	<u>\$ 47,818,111</u>	<u>\$ 16,032,613</u>	<u>\$ 2,389,079</u>
Component units				
Downtown Development Authority	\$ 5,262,390	\$ 2,724,294	\$ -	\$ -
Economic Development Corporation	208,046	-	81,024	-
Brownfield Redevelopment Authority	1,455,196	-	180,100	-
Local Development Finance Authority	380,320	-	-	-
Metro Transit	16,098,241	2,787,175	7,828,824	2,226,139
Kalamazoo Municipal Golf Association	1,524,656	1,555,684	150,000	-
Total component units	<u>\$ 24,928,849</u>	<u>\$ 7,067,153</u>	<u>\$ 8,239,948</u>	<u>\$ 2,226,139</u>

General revenues  
 Property taxes  
 State shared revenues  
 Investment earnings  
 Gain on disposal of capital assets  
 Miscellaneous

Total general revenues

Change in net position

Restated net position, beginning of the year

Net position, end of the year

Net (Expense) Revenue and Changes in Net Position

Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
\$ 820,953	\$ -	\$ 820,953	\$ -
(33,222,172)	-	(33,222,172)	-
(5,506,270)	-	(5,506,270)	-
(4,940,981)	-	(4,940,981)	-
(1,267,940)	-	(1,267,940)	-
(2,327,539)	-	(2,327,539)	-
(1,455,646)	-	(1,455,646)	-
(47,899,595)	-0-	(47,899,595)	-0-
-	(1,191,647)	(1,191,647)	-
-	1,965,687	1,965,687	-
-	23,843	23,843	-
-0-	797,883	797,883	-0-
(47,899,595)	797,883	(47,101,712)	-0-
-	-	-0-	(2,538,096)
-	-	-0-	(127,022)
-	-	-0-	(1,275,096)
-	-	-0-	(380,320)
-	-	-0-	(3,256,103)
-	-	-0-	181,028
-0-	-0-	-0-	(7,395,609)
30,457,012	-	30,457,012	4,292,817
7,939,441	-	7,939,441	-
1,285,649	41,803	1,327,452	25,886
-	4,450	4,450	-
824,508	75,779	900,287	178,470
40,506,610	122,032	40,628,642	4,497,173
(7,392,985)	919,915	(6,473,070)	(2,898,436)
109,168,916	162,740,121	271,909,037	27,949,664
<u>\$ 101,775,931</u>	<u>\$ 163,660,036</u>	<u>\$ 265,435,967</u>	<u>\$ 25,051,228</u>

City of Kalamazoo

Governmental Funds

BALANCE SHEET

December 31, 2012

	General	Building Authority Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,562,440	\$ 652,560	\$ 5,817,444	\$ 9,032,444
Cash and cash equivalents - restricted	-	-	4,865,834	4,865,834
Investments	2,826,197	-	4,826,524	7,652,721
Investments with agents	-	-	2,440,680	2,440,680
Receivables				
Accounts	1,051,016	-	331,397	1,382,413
Interest	2,033	-	-	2,033
Special assessments	3,191	-	394	3,585
Taxes	3,071,623	-	200,381	3,272,004
Notes	129,110	-	1,458,118	1,587,228
Due from other funds	3,865,712	-	494,598	4,360,310
Due from other governmental units	318,651	2,650,290	1,896,479	4,865,420
Advances to other funds	340,000	-	-	340,000
Advances to other governmental units	-	677,707	3,253,488	3,931,195
Inventories	101,921	-	356,389	458,310
Prepays	55,517	-	2,744	58,261
	<u>\$ 14,327,411</u>	<u>\$ 3,980,557</u>	<u>\$ 25,944,470</u>	<u>\$ 44,252,438</u>
<b>TOTAL ASSETS</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 776,145	\$ -	\$ 709,452	\$ 1,485,597
Accrued liabilities	6,022	-	35,311	41,333
Due to other funds	2,903,425	591,699	3,890,570	7,385,694
Due to other governmental units	322,968	-	47,798	370,766
Deposits payable	-	-	909,158	909,158
Deferred revenue	2,631,814	3,327,707	539,102	6,498,623
	<u>6,640,374</u>	<u>3,919,406</u>	<u>6,131,391</u>	<u>16,691,171</u>
<b>TOTAL LIABILITIES</b>				
<b>FUND BALANCES</b>				
Nonspendable	626,548	-	8,698,303	9,324,851
Restricted	-	61,151	8,358,079	8,419,230
Committed	-	-	2,756,697	2,756,697
Assigned	3,503,397	-	-	3,503,397
Unassigned	3,557,092	-	-	3,557,092
	<u>7,687,037</u>	<u>61,151</u>	<u>19,813,079</u>	<u>27,561,267</u>
<b>TOTAL FUND BALANCES</b>				
<b>TOTAL LIABILITIES AND FUND BALANCES</b>				
	<u>\$ 14,327,411</u>	<u>\$ 3,980,557</u>	<u>\$ 25,944,470</u>	<u>\$ 44,252,438</u>

See accompanying notes to financial statements.

City of Kalamazoo

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION

December 31, 2012

**Total fund balance - governmental funds** \$ 27,561,267

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 332,611,556	
Accumulated depreciation is	<u>(156,786,154)</u>	
Capital assets, net		175,825,402

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		6,221,224
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of certain internal service funds are included in the governmental activities in the government-wide statement of net position.

Net position of governmental activities accounted for in governmental activities internal service funds		428,973
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Costs associated with the issuance of long-term debt are expended in the funds, but are capitalized and amortized over the life of the debt in the statement of net position.		1,137,873
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Long-term liabilities at year-end consist of:

Bonds and loans payable	(55,390,000)	
Environmental matters liability	(15,000)	
Unamortized deferred amounts on debt issuance	(283,589)	
Accrued interest payable	(593,917)	
Compensated absences	(6,367,420)	
Net other post-employment benefits obligation	<u>(46,748,882)</u>	
		<u>(109,398,808)</u>

**Net position of governmental activities** \$ 101,775,931

City of Kalamazoo

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2012

	General	Building Authority Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 30,413,009	\$ -	\$ 2,252,088	\$ 32,665,097
Licenses and permits	1,641,248	-	-	1,641,248
Intergovernmental	8,831,952	-	13,589,144	22,421,096
Charges for services	8,275,388	-	746,809	9,022,197
Fines and forfeits	26,832	-	253,594	280,426
Interest and rents	660,670	2,292,304	266,418	3,219,392
Net investment earnings	-	-	688,741	688,741
Other revenue	466,320	125,291	1,311,023	1,902,634
<b>TOTAL REVENUES</b>	<b>50,315,419</b>	<b>2,417,595</b>	<b>19,107,817</b>	<b>71,840,831</b>
<b>EXPENDITURES</b>				
Current				
General government	6,833,934	-	421,966	7,255,900
Public safety	30,976,948	-	1,828,883	32,805,831
Public works	5,188,946	-	2,544,301	7,733,247
Streets	-	-	6,854,998	6,854,998
Community and economic development	2,047,999	-	6,514,089	8,562,088
Parks and recreation	2,066,207	-	293,041	2,359,248
Other	3,161,774	-	-	3,161,774
Debt service				
Principal	-	2,625,000	3,025,000	5,650,000
Interest and fiscal charges	56,857	1,352,128	969,380	2,378,365
Capital outlay	-	-	1,338,386	1,338,386
<b>TOTAL EXPENDITURES</b>	<b>50,332,665</b>	<b>3,977,128</b>	<b>23,790,044</b>	<b>78,099,837</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(17,246)</b>	<b>(1,559,533)</b>	<b>(4,682,227)</b>	<b>(6,259,006)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	-	-	4,400,000	4,400,000
Bond premium	11,700	-	19,850	31,550
Transfers in	1,890,252	1,559,215	8,372,109	11,821,576
Transfers out	(3,759,026)	-	(6,128,570)	(9,887,596)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,857,074)</b>	<b>1,559,215</b>	<b>6,663,389</b>	<b>6,365,530</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,874,320)</b>	<b>(318)</b>	<b>1,981,162</b>	<b>106,524</b>
Fund balances, beginning of year	9,561,357	61,469	22,631,914	32,254,740
Prior period adjustment	-	-	(4,799,997)	(4,799,997)
Fund balances, end of year	<u>\$ 7,687,037</u>	<u>\$ 61,151</u>	<u>\$ 19,813,079</u>	<u>\$ 27,561,267</u>

See accompanying notes to financial statements.

City of Kalamazoo

RECONCILIATION OF THE CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2012

**Net change in fund balances - total governmental funds** \$ 106,524

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 4,620,420	
Depreciation expense	(7,399,739)	
Net effect of disposal of capital assets	<u>(6,131)</u>	
Excess of depreciation expense over capital outlay and other items		(2,785,450)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (2,206,279)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain individual funds are included in the governmental activities.

Net income of governmental activities internal service funds 229,557

Costs associated with the issuance of bonds are expended in the individual funds, but are capitalized and amortized over the life of the bonds in the statement of net position.

Deferred charges for bond issuance costs	146,472	
Amortization of deferred charges	<u>(101,919)</u>	
Excess of deferred charges over amortization		44,553

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Bond proceeds	(4,400,000)	
Debt principal retirement	<u>5,650,000</u>	
		1,250,000

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in deferred amounts on debt issuance	2,174	
Decrease in accrued interest payable	5,361	
Decrease in compensated absences	1,057,242	
(Increase) in environmental matters liability	(4,140)	
(Increase) in other post-employment benefits obligation	<u>(5,092,527)</u>	
		<u>(4,031,890)</u>

**Change in net position of governmental activities** \$ (7,392,985)

City of Kalamazoo

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BASIS) AND ACTUAL

Year Ended December 31, 2012

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 29,770,825	\$ 29,770,825	\$ 29,000,916	\$ (769,909)
Licenses and permits	1,792,900	1,792,900	1,641,248	(151,652)
Intergovernmental	9,045,882	9,045,882	8,831,952	(213,930)
Charges for services	9,620,089	9,620,089	8,275,388	(1,344,701)
Fines and forfeits	38,250	38,250	26,832	(11,418)
Interest and rents	847,690	847,690	660,670	(187,020)
Other	622,877	626,678	466,320	(160,358)
<b>TOTAL REVENUES</b>	<b>51,738,513</b>	<b>51,742,314</b>	<b>48,903,326</b>	<b>(2,838,988)</b>
<b>EXPENDITURES</b>				
Current				
General government				
Commission	76,987	76,987	67,688	9,299
Manager	654,552	664,802	643,073	21,729
Attorney	790,124	790,523	734,126	56,397
Clerk				
Administration	246,429	246,429	228,938	17,491
Election	271,631	278,671	281,212	(2,541)
Records management	168,217	197,792	175,695	22,097
Internal audit	85,929	85,929	86,481	(552)
Human resources	723,923	793,923	797,603	(3,680)
Management services				
Accounting	964,994	974,994	968,963	6,031
Assessor	627,962	655,472	604,676	50,796
Treasurer	522,956	526,618	525,728	890
Purchasing	448,158	448,158	417,423	30,735
Information technology	1,246,131	1,342,498	1,302,328	40,170
<b>Total general government</b>	<b>6,827,993</b>	<b>7,082,796</b>	<b>6,833,934</b>	<b>248,862</b>
Public safety				
Administration	1,007,762	1,037,581	1,017,250	20,331
Training	860,920	876,198	936,550	(60,352)
K-Vet drug enforcement	1,492,664	1,492,664	1,250,554	242,110
Operations division	19,569,695	19,574,437	18,823,833	750,604
Criminal investigations	3,533,311	3,533,311	3,570,974	(37,663)
Service division	6,457,502	6,529,827	5,377,787	1,152,040
<b>Total public safety</b>	<b>32,921,854</b>	<b>33,044,018</b>	<b>30,976,948</b>	<b>2,067,070</b>
Public services				
Public works				
Forestry, creek, and environmental inspections	700,402	700,402	392,393	308,009
Sidewalks and pedestrian mall maintenance	441,663	441,663	374,859	66,804
Equipment maintenance	2,717,885	2,717,885	2,343,284	374,601
Engineering	1,332,204	1,332,204	1,222,124	110,080
City maintenance	1,118,442	1,000,411	856,286	144,125
<b>Total public services</b>	<b>6,310,596</b>	<b>6,192,565</b>	<b>5,188,946</b>	<b>1,003,619</b>

City of Kalamazoo

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BASIS) AND ACTUAL - CONCLUDED

Year Ended December 31, 2012

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
<b>EXPENDITURES - CONCLUDED</b>				
Current - concluded				
Community and economic development				
Economic development	\$ 280,913	\$ 280,913	\$ 247,390	\$ 33,523
Code administration	1,588,916	1,613,867	1,406,995	206,872
Planning	404,803	405,084	393,614	11,470
Total community and economic development	2,274,632	2,299,864	2,047,999	251,865
Parks and recreation				
Parks maintenance	1,189,062	1,199,376	1,000,738	198,638
Recreation	1,182,781	1,184,476	1,065,469	119,007
Total parks and recreation	2,371,843	2,383,852	2,066,207	317,645
Nondepartmental				
Street lighting	1,359,848	1,359,848	1,272,460	87,388
Other	264,522	(232,124)	1,889,314	(2,121,438)
Debt service	61,167	56,795	56,857	(62)
Total nondepartmental	1,685,537	1,184,519	3,218,631	(2,034,112)
<b>TOTAL EXPENDITURES</b>	<b>52,392,455</b>	<b>52,187,614</b>	<b>50,332,665</b>	<b>1,854,949</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(653,942)</b>	<b>(445,300)</b>	<b>(1,429,339)</b>	<b>(984,039)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond premium	-	11,700	11,700	-0-
Transfers in	1,890,257	1,890,257	1,890,252	(5)
Transfers out	(3,755,000)	(3,755,000)	(3,759,026)	(4,026)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,864,743)</b>	<b>(1,853,043)</b>	<b>(1,857,074)</b>	<b>(4,031)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(2,518,685)</b>	<b>(2,298,343)</b>	<b>(3,286,413)</b>	<b>(988,070)</b>
Fund balance, beginning of year	13,342,846	13,342,846	13,342,846	-0-
Fund balance, end of year (budgetary basis)	<u>\$ 10,824,161</u>	<u>\$ 11,044,503</u>	10,056,433	<u>\$ (988,070)</u>
Accounting basis difference			(2,369,396)	
Fund balance, end of year (GAAP basis)			<u>\$ 7,687,037</u>	

See accompanying notes to financial statements.

City of Kalamazoo

Proprietary Funds

STATEMENT OF NET POSITION

December 31, 2012

	Enterprise Funds			Total	Internal
	Wastewater	Water	Nonmajor City Market		Service Fund Insurance and Benefits
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 12,651,298	\$ 5,724,944	\$ 53,576	\$ 18,429,818	\$ 919,628
Cash and cash equivalents - restricted	5,368,988	3,243,289	-	8,612,277	-
Investments	2,168,991	827,878	-	2,996,869	1,322,882
Investments with agents	-	-	-	-0-	156,305
Receivables					
Customers	3,486,787	2,116,188	-	5,602,975	366,219
Interest	7,217	-	-	7,217	-
Special assessment	11,241	-	-	11,241	-
Due from other funds	2,081,402	175,259	-	2,256,661	4,609,192
Due from other governmental units	75,819	75,958	-	151,777	509,295
Inventories	406,237	232,661	-	638,898	-
Prepays	28,334	15,708	-	44,042	-
Total current assets	26,286,314	12,411,885	53,576	38,751,775	7,883,521
Noncurrent assets					
Advance to other governmental units	59,638	-	-	59,638	-
Deferred charges	335,508	457,339	-	792,847	-
Capital assets not being depreciated	9,657,886	3,019,307	-	12,677,193	-
Capital assets, net of accumulated depreciation	72,314,977	90,972,861	66,669	163,354,507	-
Total noncurrent assets	82,368,009	94,449,507	66,669	176,884,185	-0-
<b>TOTAL ASSETS</b>	<b>108,654,323</b>	<b>106,861,392</b>	<b>120,245</b>	<b>215,635,960</b>	<b>7,883,521</b>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	666,196	384,109	334	1,050,639	98,321
Accrued payroll	-	-	-	-0-	1,343,243
Other accrued liabilities	19,901	3,650	-	23,551	1,474,947
Accrued interest payable	208,061	289,404	-	497,465	-
Deposit payable	-	660,789	-	660,789	-
Due to other funds	1,710,575	1,245,870	4,281	2,960,726	879,743
Due to other governmental units	180,898	135,698	1,153	317,749	59,398
Current portion of compensated absences	56,914	132,812	106	189,832	-
Current portion of long-term debt	488,024	1,591,718	-	2,079,742	-
Current portion of uninsured claim liability	-	-	-	-0-	1,667,281
Total current liabilities	3,330,569	4,444,050	5,874	7,780,493	5,522,933
Noncurrent liabilities					
Advances from other funds	-	-	-	-0-	340,000
Noncurrent portion of compensated absences	398,403	218,777	736	617,916	-
Noncurrent portion of long-term debt	10,507,485	19,808,568	-	30,316,053	-
Net other post-employment benefits obligation	7,051,760	6,209,702	-	13,261,462	-
Noncurrent portion of uninsured claim liability	-	-	-	-0-	1,591,615
Total noncurrent liabilities	17,957,648	26,237,047	736	44,195,431	1,931,615
<b>TOTAL LIABILITIES</b>	<b>21,288,217</b>	<b>30,681,097</b>	<b>6,610</b>	<b>51,975,924</b>	<b>7,454,548</b>
<b>NET POSITION</b>					
Net investment in capital assets	75,443,810	73,905,743	66,669	149,416,222	-
Restricted for bond reserves	902,532	1,929,428	-	2,831,960	-
Unrestricted	11,019,764	345,124	46,966	11,411,854	428,973
<b>TOTAL NET POSITION</b>	<b>\$ 87,366,106</b>	<b>\$ 76,180,295</b>	<b>\$ 113,635</b>	<b>\$ 163,660,036</b>	<b>\$ 428,973</b>

See accompanying notes to financial statements.

City of Kalamazoo

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

Year Ended December 31, 2012

	Enterprise Funds			Total	Internal
	Wastewater	Water	Nonmajor City Market		Service Fund Insurance and Benefits
<b>OPERATING REVENUES</b>					
Charges for services	\$ 20,484,471	\$ 14,583,205	\$ 91,621	\$ 35,159,297	\$ 22,122,461
Other	3,905	26,137	-	30,042	-
<b>TOTAL OPERATING REVENUES</b>	<b>20,488,376</b>	<b>14,609,342</b>	<b>91,621</b>	<b>35,189,339</b>	<b>22,122,461</b>
<b>OPERATING EXPENSES</b>					
Operation and maintenance	17,199,488	9,802,781	63,818	27,066,087	-
Risk management	-	-	-	-0-	19,968,354
Depreciation	4,187,408	3,329,769	3,960	7,521,137	-
<b>TOTAL OPERATING EXPENSES</b>	<b>21,386,896</b>	<b>13,132,550</b>	<b>67,778</b>	<b>34,587,224</b>	<b>19,968,354</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(898,520)</b>	<b>1,476,792</b>	<b>23,843</b>	<b>602,115</b>	<b>2,154,107</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Intergovernmental	50,044	216,885	-	266,929	-
Interest revenue	30,564	11,179	60	41,803	9,430
Gain on sale of capital assets	4,370	80	-	4,450	-
Amortization of:					
Deferred charges	(19,039)	(115,332)	-	(134,371)	-
Bond defeasance expenses	(8,138)	(257,417)	-	(265,555)	-
Bond premiums and discounts	(197)	45,737	-	45,540	-
Interest expense and fiscal charges	(354,866)	(1,020,028)	-	(1,374,894)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(297,262)</b>	<b>(1,118,896)</b>	<b>60</b>	<b>(1,416,098)</b>	<b>9,430</b>
<b>NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>(1,195,782)</b>	<b>357,896</b>	<b>23,903</b>	<b>(813,983)</b>	<b>2,163,537</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>93,018</b>	<b>1,640,880</b>	<b>-</b>	<b>1,733,898</b>	<b>-</b>
<b>TRANSFERS OUT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-0-</b>	<b>(1,933,980)</b>
<b>CHANGE IN NET POSITION</b>	<b>(1,102,764)</b>	<b>1,998,776</b>	<b>23,903</b>	<b>919,915</b>	<b>229,557</b>
Net position, beginning of year	88,468,870	74,181,519	89,732	162,740,121	199,416
Net position, end of year	<u>\$ 87,366,106</u>	<u>\$ 76,180,295</u>	<u>\$ 113,635</u>	<u>\$ 163,660,036</u>	<u>\$ 428,973</u>

See accompanying notes to financial statements.

City of Kalamazoo

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2012

	Enterprise Funds				Internal
	Wastewater	Water	Nonmajor City Market	Total	Service Fund Insurance and Benefits
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash receipts from customers	\$ 20,002,620	\$ 14,525,300	\$ 91,621	\$ 34,619,541	\$ 22,037,495
Cash received from interfund services provided	1,727,603	1,036,951	3,417	2,767,971	-
Cash paid to suppliers	(12,548,450)	(5,311,406)	(21,097)	(17,880,953)	-
Cash paid to employees	(4,409,631)	(2,826,491)	(29,061)	(7,265,183)	-
Cash paid for employee benefits	(1,490,083)	(1,060,493)	(15,754)	(2,566,330)	(20,875,906)
Cash paid for interfund services provided	-	(481,526)	-	(481,526)	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>3,282,059</b>	<b>5,882,335</b>	<b>29,126</b>	<b>9,193,520</b>	<b>1,161,589</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Intergovernmental grant	50,044	216,885	-	266,929	-
Transfer out	-	-	-	-0-	(1,933,980)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>50,044</b>	<b>216,885</b>	<b>-0-</b>	<b>266,929</b>	<b>(1,933,980)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchases of capital assets	(2,090,864)	(2,105,131)	-	(4,195,995)	-
Contributions	14,665	173,123	-	187,788	-
Proceeds from sales of capital assets	4,370	80	-	4,450	-
Interest paid	(276,591)	(1,126,669)	-	(1,403,260)	-
Proceeds from bond issuance	5,997,678	5,312,958	-	11,310,636	-
Payments on borrowings	(295,000)	(1,480,000)	-	(1,775,000)	-
Payment to escrow	-	(5,410,541)	-	(5,410,541)	-
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>3,354,258</b>	<b>(4,636,180)</b>	<b>-0-</b>	<b>(1,281,922)</b>	<b>-0-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from sales and maturities of investments	1,457	(503,508)	-	(502,051)	15,925
Interest received	27,086	11,179	60	38,325	9,430
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>28,543</b>	<b>(492,329)</b>	<b>60</b>	<b>(463,726)</b>	<b>25,355</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>6,714,904</b>	<b>970,711</b>	<b>29,186</b>	<b>7,714,801</b>	<b>(747,036)</b>
Cash and cash equivalents, beginning of year	11,305,382	7,997,522	24,390	19,327,294	1,666,664
Cash and cash equivalents, end of year	<u>\$ 18,020,286</u>	<u>\$ 8,968,233</u>	<u>\$ 53,576</u>	<u>\$ 27,042,095</u>	<u>\$ 919,628</u>

CONTINUED

City of Kalamazoo

Proprietary Funds

STATEMENT OF CASH FLOWS - CONCLUDED

Year Ended December 31, 2012

	Enterprise Funds			Total	Internal
	Wastewater	Water	Nonmajor City Market		Service Fund Insurance and Benefits
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ (898,520)	\$ 1,476,792	\$ 23,843	\$ 602,115	\$ 2,154,107
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	4,187,408	3,329,769	3,960	7,521,137	-
(Increase) decrease in:					
Accounts receivable	(476,693)	(35,026)	-	(511,719)	(196,209)
Due from other funds	645,279	1,036,951	-	1,682,230	459,641
Due from other governmental units	(9,063)	11,095	-	2,032	(225,448)
Advance to other governmental units	59,287	-	-	59,287	-
Inventories	(24,507)	89,000	-	64,493	-
Prepays	(5,342)	(4,112)	-	(9,454)	1,152
Increase (decrease) in:					
Accounts payable	(1,153,707)	29,278	(3,155)	(1,127,584)	17,789
Accrued liabilities	(239,492)	(157)	-	(239,649)	177,834
Due to other funds	1,023,037	(481,526)	3,417	544,928	(178,985)
Due to other governmental units	171,872	124,498	1,153	297,523	56,035
Deposits payable	-	(60,111)	-	(60,111)	-
Compensated absences	(765,634)	(310,601)	(92)	(1,076,327)	-
Uninsured claim liability	-	-	-	-0-	(1,104,327)
Other post-employment benefits obligation	768,134	676,485	-	1,444,619	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 3,282,059</b>	<b>\$ 5,882,335</b>	<b>\$ 29,126</b>	<b>\$ 9,193,520</b>	<b>\$ 1,161,589</b>
<b>NONCASH FINANCING ACTIVITIES</b>					
Contributions of capital assets	\$ 78,353	1,467,757	\$ -	\$ 1,546,110	\$ -

City of Kalamazoo

Fiduciary Funds

STATEMENT OF FIDUCIARY NET POSITION

December 31, 2012

	Employees' Retirement System Pension Trust	General Private Purpose Trust	Tax Collector's Agency Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,480,386	\$ 68,041	\$ 7,060,246
Investments			-
U.S. treasuries	59,777,030	-	-
U.S. agencies	7,300,373	-	-
Corporate bonds	29,916,106	-	-
Collateralized mortgage obligations	27,322,399	-	-
Equity mutual funds	374,827,540	-	-
Real estate mutual funds	27,476,127	-	-
Receivables			
Interest and dividends	1,178,827	-	-
Taxes	-	-	31,293,002
Other	-	-	104
Due from the City of Kalamazoo	838,570	-	-
Due from Metro Transit System	67,176	-	-
	<u>532,184,534</u>	<u>68,041</u>	<u>\$ 38,353,352</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES</b>			
Accounts payable	944,896	-	\$ -
Due to other governmental units	-	-	38,352,143
Due to individuals and agencies	-	52,506	1,209
	<u>944,896</u>	<u>52,506</u>	<u>\$ 38,353,352</u>
<b>TOTAL LIABILITIES</b>			
<b>NET POSITION</b>			
Held in trust for benefits and other purposes	<u>\$ 531,239,638</u>	<u>\$ 15,535</u>	

See accompanying notes to financial statements.

City of Kalamazoo

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended December 31, 2012

	Employees' Retirement System Pension Trust	General Private Purpose Trust
<b>ADDITIONS TO NET POSITION</b>		
Investment income		
Change in fair value of investments	\$ 57,506,207	\$ -
Interest and dividends	16,030,440	22
Total investment income	73,536,647	22
Less investment expense	(1,781,381)	-
Net investment income	71,755,266	22
Contributions		
Employer	905,746	-
Plan members	1,199,113	-
Other	-	1,434
Total contributions	2,104,859	1,434
TOTAL ADDITIONS TO NET POSITION	73,860,125	1,456
<b>DEDUCTIONS FROM NET POSITION</b>		
Benefits	24,886,037	-
Refunds of contributions	181,872	-
Administrative	433,752	-
Miscellaneous expense	-	9,875
TOTAL DEDUCTIONS	25,501,661	9,875
CHANGE IN NET POSITION	48,358,464	(8,419)
Net position, beginning of year	482,881,174	23,954
Net position, end of year	<u>\$ 531,239,638</u>	<u>\$ 15,535</u>

See accompanying notes to financial statements.

City of Kalamazoo

Component Units

STATEMENT OF NET POSITION

December 31, 2012

	Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 85,792	\$ 483,432	\$ 1,347,753
Cash and cash equivalents - restricted	1,361,292	-	-
Investments	-	-	625,821
Accounts receivable	134,844	-	244,972
Taxes receivable	85,442	-	-
Interest receivable	-	-	-
Due from other governmental units	-	12,177	7,138
Inventories	-	-	-
Prepays	-	-	-
Current portion of notes receivable	-	104,493	781,797
	<u>1,667,370</u>	<u>600,102</u>	<u>3,007,481</u>
Total current assets			
Noncurrent assets			
Noncurrent portion of notes receivable	-	1,362,931	-
Capital assets not being depreciated	58,162	-	-
Capital assets, net of accumulated depreciation	248,088	-	-
	<u>306,250</u>	<u>1,362,931</u>	<u>-0-</u>
Total noncurrent assets			
<b>TOTAL ASSETS</b>			
	<u>1,973,620</u>	<u>1,963,033</u>	<u>3,007,481</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	359,307	-	185,571
Accrued liabilities	711,855	-	-
Accrued interest payable	43,343	-	-
Due to other governmental units	-	47,482	214,029
Advances from other governmental units	-	104,493	751,797
Unearned revenue	14,798	-	-
Current portion of compensated absences	-	9,799	1,502
Current portion of long-term debt	694,100	-	-
	<u>1,823,403</u>	<u>161,774</u>	<u>1,152,899</u>
Total current liabilities			
Noncurrent liabilities			
Noncurrent portion of compensated absences	-	16,996	10,507
Noncurrent portion of long-term debt	2,458,959	-	-
Noncurrent portion of advances from other governmental units	-	1,335,308	-
Net other post-employment benefits obligation	-	-	-
	<u>2,458,959</u>	<u>1,352,304</u>	<u>10,507</u>
Total noncurrent liabilities			
<b>TOTAL LIABILITIES</b>			
	<u>4,282,362</u>	<u>1,514,078</u>	<u>1,163,406</u>
<b>NET POSITION</b>			
Net investment in capital assets	306,250	-	-
Unrestricted	(2,614,992)	448,955	1,844,075
	<u>\$ (2,308,742)</u>	<u>\$ 448,955</u>	<u>\$ 1,844,075</u>
<b>TOTAL NET POSITION</b>			

See accompanying notes to financial statements.

Local Development Finance Authority	Metro Transit	Kalamazoo Municipal Golf Association	Total Component Units
\$ 330,278	\$ 2,413,740	\$ 155,207	\$ 4,816,202
-	-	-	1,361,292
-	3,996,869	-	4,622,690
56,246	105,632	-	541,694
-	83,593	-	169,035
-	3,984	-	3,984
-	1,881,871	44,258	1,945,444
-	373,677	-	373,677
-	625	-	625
-	-	-	886,290
386,524	8,859,991	199,465	14,720,933
-	-	-	1,362,931
-	4,048,692	139,200	4,246,054
-	19,796,545	1,194,331	21,238,964
-0-	23,845,237	1,333,531	26,847,949
386,524	32,705,228	1,532,996	41,568,882
-	543,739	16,714	1,105,331
-	-	-	711,855
-	-	10,973	54,316
113,266	675,150	-	1,049,927
946,528	-	-	1,802,818
-	1,945,894	128,690	2,089,382
-	67,064	-	78,365
-	-	220,067	914,167
1,059,794	3,231,847	376,444	7,806,161
-	134,780	-	162,283
-	-	1,032,434	3,491,393
-	-	-	1,335,308
-	3,722,509	-	3,722,509
-0-	3,857,289	1,032,434	8,711,493
1,059,794	7,089,136	1,408,878	16,517,654
-	23,845,237	104,278	24,255,765
(673,270)	1,770,855	19,840	795,463
<u>\$ (673,270)</u>	<u>\$ 25,616,092</u>	<u>\$ 124,118</u>	<u>\$ 25,051,228</u>

City of Kalamazoo

Component Units

STATEMENT OF ACTIVITIES

Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
Downtown Development Authority	\$ 5,262,390	\$ 2,724,294	\$ -	\$ -
Economic Development Corporation	208,046	-	81,024	-
Brownfield Redevelopment Authority	1,455,196	-	180,100	-
Local Development Finance Authority	380,320	-	-	-
<b>Business-type Activities</b>				
Metro Transit	16,098,241	2,787,175	7,828,824	2,226,139
Kalamazoo Municipal Golf Association	1,524,656	1,555,684	150,000	-
<b>TOTALS</b>	<b>\$ 24,928,849</b>	<b>\$ 7,067,153</b>	<b>\$ 8,239,948</b>	<b>\$ 2,226,139</b>

General revenues

Property taxes

Investment earnings

Miscellaneous

Total general revenues

Change in net position

Restated net position, beginning of year

Net position, end of year

Net (Expense) Revenues and Changes in Net Position

Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority	Local Development Finance Authority	Metro Transit	Kalamazoo Municipal Golf Association	Total Component Units
\$ (2,538,096)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,538,096)
-	(127,022)	-	-	-	-	(127,022)
-	-	(1,275,096)	-	-	-	(1,275,096)
-	-	-	(380,320)	-	-	(380,320)
-	-	-	-	(3,256,103)	-	(3,256,103)
-	-	-	-	-	181,028	181,028
(2,538,096)	(127,022)	(1,275,096)	(380,320)	(3,256,103)	181,028	(7,395,609)
2,127,835	-	832,459	486,595	845,928	-	4,292,817
3,324	433	3,204	-	18,925	-	25,886
126,905	-	21,974	-	13,091	16,500	178,470
2,258,064	433	857,637	486,595	877,944	16,500	4,497,173
(280,032)	(126,589)	(417,459)	106,275	(2,378,159)	197,528	(2,898,436)
(2,028,710)	575,544	2,261,534	(779,545)	27,994,251	(73,410)	27,949,664
<u>\$ (2,308,742)</u>	<u>\$ 448,955</u>	<u>\$ 1,844,075</u>	<u>\$ (673,270)</u>	<u>\$ 25,616,092</u>	<u>\$ 124,118</u>	<u>\$ 25,051,228</u>

## **NOTES TO FINANCIAL STATEMENTS**

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Kalamazoo is the county seat for Kalamazoo County, Michigan, and has a population of approximately 77,145. The City is home to Western Michigan University and Kalamazoo College.

The City has seven City Commissioners who are selected at large, on a non-partisan basis, every two (2) years. The Commission appoints and directs the activities of the City Manager, Attorney, Clerk, Assessor, and Internal Auditor. The Commission also appoints boards and commissions to serve as advisors to the Commission.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to city governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 4*, these financial statements present the financial activities of the City of Kalamazoo (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations, so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government.

2. Blended Component Unit

The Kalamazoo Building Authority has been blended into the City's financial statements as debt service and capital project fund types. The Authority is governed by a three (3) member board consisting of the City Manager, City Attorney, and Finance Director. Its purpose is to provide for the acquisition and construction of certain public buildings.

3. Discretely Presented Component Units

With the exception of the Kalamazoo Municipal Golf Association, the governing bodies of all of the City's discretely presented component units are appointed by the Mayor of the City of Kalamazoo with the approval of the City Commission.

The Downtown Development Authority was created as a tax-increment financing (TIF) district to correct and prevent deterioration in the downtown district, encourage historic preservation and to promote economic growth within the downtown district. The Authority's budget is subject to approval by the City Commission.

The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities to the residents of the City. In certain situations, members of the Board of Directors may be removed by a majority of the Kalamazoo City Commission.

The Brownfield Redevelopment Authority was established pursuant to Act 381 of the Public Acts of 1996, as amended. The purpose of the Authority is to treat and revitalize environmentally distressed Brownfield zones. The Authority is financed by tax increment financing and State grants, and has named the City of Kalamazoo as its fiscal agent. The Authority is governed by the Board of the Economic Development Corporation.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Discretely Presented Component Units - Concluded

The Hospital Finance Authority's purpose is to construct, acquire, reconstruct, remodel, improve, add to, enlarge, repair, own, and lease hospital facilities for the use of any nonprofit hospital inside or outside the boundaries of the City of Kalamazoo, Michigan. The Authority's budget is subject to approval by the City Commission. The Authority had no activity during the year ended December 31, 2012.

The Local Development Finance Authority's (LDFA) purpose is to finance improvements, through the use of tax increment financing, within the City's business and technology research park. The LDFA was established as a tax increment financing (TIF) district in 2002 in accordance with Michigan Public Act 248 of 2000.

The Metro Transit System operates the public transportation system in the City of Kalamazoo and portions of the surrounding area. The system's budget is subject to approval by the City Commission.

The Kalamazoo Municipal Golf Association operates the City's public golf courses. The Board of Governors consists on nine members elected from the general membership, two members elected from the Governing Board, and three voting ex-officio members from the City of Kalamazoo (the City Manager, Deputy City Manager, and Director of Finance). The Association is fiscally dependent on the City in that the City Commission approves the annual budget, green fees and membership fees, and one of the three City ex-officio members must approve any proposal to expend money for any purpose.

Complete financial statements of the individual component units, except for the Brownfield Redevelopment Authority, Hospital Finance Authority, and Local Development Finance Authority, may be obtained at their respective administrative offices:

Downtown Development Authority  
141 East Michigan Avenue  
Kalamazoo, MI 49007

Economic Development Corporation  
241 West South Street  
Kalamazoo, MI 49007

Metro Transit System  
530 South Rose  
Kalamazoo, MI 49007

Kalamazoo Municipal Golf Association  
4200 Lovers Lane  
Kalamazoo, MI 49007

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them, demonstrating how governmental functions are either self-financing or supported by general revenues. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. General revenues include all taxes, interest, unrestricted State revenue sharing payments and other revenues that are not required to be presented as program revenues.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

4. Basis of Presentation - Concluded

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Building Authority Debt Service Fund is used to account for the debt service activity of the Kalamazoo Building Authority, which consists of the collection of lease payments from the Downtown Development Authority and from the general public for facilities improvements and the subsequent debt service expenditures related to the outstanding Building Authority debt issues.

The City reports the following major enterprise funds:

- a. The Wastewater Fund is used to account for the operations and maintenance of the Wastewater treatment system, capital additions and improvements to the system, and retirement of revenue bonds. It is financed primarily by user charges, state grants, and contributions from other municipalities and customers.
- b. The Water Fund is used to account for the operations and maintenance of the water supply system, capital additions and improvements to the system, and retirement of revenue bonds. It is financed primarily by user charges, state grants, and contributions from other municipalities and customers.

Additionally, the City reports the following fund types:

- a. Special revenue funds account for revenue sources that are restricted or committed to expenditures for specific purposes other than capital projects or permanent funds.
- b. Debt service funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- c. Capital projects funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.
- d. Permanent funds account for resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support specified government programs.
- e. Enterprise funds account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.
- f. Internal service funds account for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. This includes employee benefits and insurance programs.
- g. The pension trust fund accounts for the activities of the Employees' Retirement System, a defined-benefit pension plan, which accumulates resources for retirement benefit payments to qualified employees.
- h. The private purpose trust fund accounts for assets of non-profit organizations held for outside parties in a trustee capacity for purposes other than those that support the government's programs.
- i. The agency fund accounts for taxes collected and distributed to other governments in an agency capacity.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

5. Measurement Focus

The government-wide, proprietary fund, and non-agency fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position.

There is no measurement focus for the agency funds since assets equal liabilities.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and unearned revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and fiduciary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

The City adopts a formal budget for the General and Special Revenue funds. The City Charter requires that the City Manager submit to the City Commission an estimate of revenues and contemplate expenditures for the following calendar year by December 1. An interim appropriation resolution is passed by January 1 to continue normal operations and by February 1 of each year the City Commission passes an annual appropriation resolution approving the estimated expenditures. The City Manager is authorized to transfer budgeted amounts between expenditure control accounts within a department as long as the budgeted excess of revenues and other sources over (under) expenditures and other uses stays constant. Capital outlay expenditures in excess of the greater of \$10,000 or in amounts greater than 10 percent of any project cost, interdepartmental transfers, use of contingency funds and position classification changes require prior City Commission approval.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

7. Budgets and Budgetary Accounting - Concluded

Formal budgetary integration is employed as a management control device during the year. Supplemental appropriations were approved by the City Commission in the form of budget amendment resolutions or as part of special authorizing motions for grants, bonds or notes, the total of which was not significant in relation to the original budget appropriation valuations. Appropriations lapse at each year end, except for those approved for carry forward by the City Commission.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in all governmental funds.

The budget has been prepared in accordance with U.S. generally accepted accounting principles (GAAP), with the exception that property tax revenues have been recognized in the year levied, even though they would not be fully available to finance operations of the current year.

8. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of various checking, savings, and money market accounts and cash on hand. The cash and cash equivalents are recorded at cost, which approximates market value. Restricted cash and cash equivalents in the governmental activities and the business-type activities relate to the Cork Street environmental clean-up project, capital funding, and wastewater and water bonds reserves.

Investments are reported at amortized cost, which is not materially different from fair value. Investments consist of pension fund securities, mutual funds, and U.S. government securities with an original maturity of over 90 days.

9. Receivables

Receivables consist of amounts due from various governmental units, individuals, and businesses related to charges for services, amounts owed to the City from special assessments, and taxes levied that have not been collected.

10. Inventories

Inventories are valued at cost using the average cost method. Inventories in the enterprise funds consist of wastewater and water system supplies. Inventories in the governmental funds consist of fuel, parts and supplies.

11. Prepays

Prepaid expenditures in the governmental and proprietary funds, such as insurance premiums, which are expected to be written off within the next fiscal year, are included in net current assets. Reported prepaid expenditures are equally offset by nonspendable fund balance which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

12. Capital Assets

Capital assets are reported in the applicable governmental or business-type activity and component units columns in the government-wide financial statements. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than two years. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. In accordance with the provisions of GASB Statement No. 34, the government has only capitalized infrastructure assets acquired or constructed since 1980.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the asset constructed.

Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	5 - 50 years
Buildings and improvements	50 years
Water and wastewater system infrastructure	25 - 50 years
Vehicles	7 - 10 years
Office equipment	6 - 10 years
Machinery and equipment	3 - 10 years
Public Infrastructure	50 years

13. Compensated Absences

Amounts of vested or accumulated vacation leave and compensated time are accrued in the government-wide and proprietary fund financial statements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "termination leave" prior to retirement. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

14. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

15. Deferred and Unearned Revenue

Governmental funds report deferred revenues in connection with receivables for revenue that is not considered available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

The statement of net position reports unearned revenue for resources that have been received, but not yet earned.

16. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Currently, the City does not report any deferred outflows of resources or deferred inflows of resources.

17. Property Taxes

The City of Kalamazoo bills and collects its own property taxes and taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

Property taxes are levied by the City of Kalamazoo on July 1 and are payable without penalty through August 14. The July 1 levy was composed of the County's levy, the State Education Tax assessment and the City's millage and assessments. The City bills and collects its own property taxes for general governmental services, solid waste collection, and downtown development and also collects taxes for the Metro Transit System, Kalamazoo County, Kalamazoo Valley Community College, the District Library, and various school districts. Collections of property taxes and remittances of them to the appropriate authorities are accounted for in the Tax Collector's Agency Fund.

The City is permitted by state statute to levy taxes up to 20 mills (\$20 per \$1,000 of assessed valuation) for general governmental services other than the payment of principal and interest on long-term debt. They are also permitted to levy additional mills specifically designated for waste collection. For the year ended December 31, 2012, the City levied 19.2705 mills for general governmental services and 1.5500 mills for waste collection. The total taxable value for the 2012 levy for property within the City was \$1,488,906,206.

The Downtown Development Authority is permitted by P.A. 197 of Michigan to levy taxes up to \$2.00 per \$1,000 of assessed valuation of property in the downtown district. The Authority's current year tax rate was \$1.9638 per \$1,000 of assessed valuation.

The Metro Transit System levied 0.6000 mills.

For budgeting purposes, the taxes levied in the current year are intended to finance the operations of the current year. Therefore, the Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual include the full amount of the current year tax levy as revenue of the current year, to be consistent with the budget presentation.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED**

18. Notes Receivable

Notes receivable consist of amounts loaned to entities within the City under various economic development programs to finance activities during their operations and to finance capital acquisitions. The outstanding principal is reported as nonspendable fund balance in the fund financial statements for such receivables to reflect the amount not currently available for expenditure.

19. Advances to Other Funds/Governmental Units

Long-term advances from the primary government to other funds or component units are made to finance activities during their operations and to finance capital acquisitions. The applicable fund balance is reported as nonspendable in the fund financial statements for such advances to reflect the amount of fund balance not currently available for expenditure.

20. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

The Internal Service Funds record charges for services provided to various City departments and funds as operating revenue. All City funds record these payments as operating expenditures/expenses. The net revenues or losses of the Internal Service Funds, as well as the net position are included in the reconciliation to the government-wide financial statements.

21. Restricted Net Position

Restrictions of net position shown in the government-wide financial statements indicate restrictions imposed by the funding source or some other outside source, which precludes their use for unrestricted purposes.

22. Federal Programs

Federal programs are accounted for in the funds to which the programs pertain. The single audit reports and financial data will be issued under separate cover as supplementary information to the basic financial statements.

23. Comparative Data

Comparative data has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read. Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
3. The United States government or federal agency obligations repurchase agreements.
4. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

CITY AND COMPONENT UNITS (EXCEPT EMPLOYEES' RETIREMENT SYSTEM)

Deposits

There is a custodial credit risk related to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of December 31, 2012, the carrying amount of the City's deposits was \$55,158,312 and the bank balance was \$52,315,617. The financial statements include \$7,470 of imprest cash.

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of December 31, 2012, the City accounts were insured by the FDIC for \$2,228,154 and the amount of \$50,087,463 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the City held as cash and cash equivalents increased significantly. As a result, the amount of the uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Investments

As of December 31, 2012, the carrying amounts and market values for the investments are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Percent of Portfolio</u>	<u>Standard &amp; Poor's Rating</u>	<u>Weighted Average Maturity</u>
U.S. Treasury Securities	\$ 3,998,328	\$ 3,998,328	24%	N/A	29 days
Federal Home Loan Bank	4,997,877	4,997,877	30%	AAA	523 days
General Electric Capital Corporation	1,000,000	1,000,000	6%	AAA	22 days
Federal Home Loan Mortgage Corporation	1,000,000	1,000,000	6%	AA+	175 days
Toyota Motor Credit Corporation	1,993,738	1,993,738	12%	A-1+	14 days
Equity mutual funds	3,605,219	3,605,219	22%	Not rated	N/A
<b>TOTAL REPORTING ENTITY</b>	<b><u><u>\$ 16,595,162</u></u></b>	<b><u><u>\$ 16,595,162</u></u></b>			

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

CITY AND COMPONENT UNITS (EXCEPT EMPLOYEES' RETIREMENT SYSTEM) - CONCLUDED

Custodial Credit Risk of Deposits

The City's banking and investment policy does not specifically address custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

As permitted by State statutes, the City has placed monies for investment with the Kalamazoo Community Foundation (KCF) and Michigan Municipal Risk Management Authority (MMRMA). These monies, amounting to \$2,440,680 and \$156,305, respectively, as of December 31, 2012, are pooled with other KCF funds and MMRMA funds and invested at the discretion of KCF and MMRMA, which for purposes of the City essentially functions as an external investment pool. Investments in external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Custodial Credit Risk of Investments

Custodial credit risk, which is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment. As of December 31, 2012, none of the City's investments, excluding the mutual funds which are not subject to custodial credit risk, were exposed to risk since the securities are held in the City's name by the counterparty.

Interest Rate Risk

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designating its investment portfolio with the objective of obtaining a rate of return through the economic cycles considering risk constraints and cash flow characteristics. The City's policy provides that the maximum weighted average maturity will be limited to eighteen (18) months.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2012, the City investment in the U.S. Agencies investments were rated AAA or AA+ by Standard and Poor's. All of the City's investments comply with its policy regarding the types of investments it may hold.

Concentration of Credit Risk

The City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by security type and institution. Among other provisions, the City's investment policy permits the entire portfolio to be invested in obligations of U.S. agencies with the limitation that no more than 35% may be placed with a single institution. In addition, the investment policy limits commercial paper to 10% of the total portfolio. The policy neither provides for nor prohibits the placement of funds with community foundations.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

EMPLOYEES' RETIREMENT SYSTEM

Deposits

The System does not maintain any checking or other demand/time deposit accounts. Amounts reported as cash and cash equivalents in the statement of plan net position include cash and short-term investments in money market accounts held by the System's investment managers. These accounts are insured by the Securities Investors Protection Corporation for up to \$500,000 each. The carrying amount of these accounts as of December 31, 2012, was \$3,480,386, of which the insured amount was \$1,763,216. The remaining balance of \$1,717,170 was uninsured and uncollateralized.

Investments

The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314 of 1965, as amended, authorizes the System to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The System's Investment Committee is responsible for recommending to the City Commission the investment policies and strategies, and retaining/monitoring the various investment managers, trustees, advisors, actuaries and other fiduciaries utilized by the System. The City Commission is responsible for approving the recommendations of the Investment Committee. All investment decisions are subject to Michigan law and the investment policy established by the City Commission.

The System's investments are held in ten (10) portfolios administered by five (5) investment managers. Following is a summary of the System's investments as of December 31, 2012:

U.S. treasuries	\$ 59,777,030
U.S. agencies	7,300,373
Corporate bonds	29,916,106
Collateralized mortgage obligations	27,322,399
Equity mutual funds	374,827,540
Real estate mutual funds	<u>27,476,127</u>
Total investments	<u><u>\$ 526,619,575</u></u>

Custodial Credit Risk

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System's investment policy does not address custodial credit risk. Although uninsured and unregistered, the System's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department in the System's name. Short-term investments in money market funds and investments in mutual funds are not subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

EMPLOYEES' RETIREMENT SYSTEM - CONTINUED

Credit Risk

The System's investment policy provides that its investments in bonds must be rated in the top four (4) major investment grades as determined by two nationally recognized statistical rating organizations. As of December 31, 2012, the System's investments in fixed income securities were rated by Standard & Poor's and Moody's as follows:

<u>Standard &amp; Poor's</u>	<u>U.S. Agencies</u>	<u>Corporate Bonds</u>	<u>CMO</u>
AAA	\$ -	\$ -	\$ 5,049,121
AA	-	5,115,296	21,999,218
A	-	14,743,743	-
BBB	-	9,597,936	-
Not rated	7,300,373	459,131	274,060
	<u>\$ 7,300,373</u>	<u>\$ 29,916,106</u>	<u>\$ 27,322,399</u>
 <u>Moody's</u>			
AAA	\$ 166,574	\$ -	\$ 25,298,928
AA	-	4,093,694	-
A	-	10,202,751	-
BAA	-	14,361,307	-
Not rated	7,133,799	1,258,354	2,023,471
	<u>\$ 7,300,373</u>	<u>\$ 29,916,106</u>	<u>\$ 27,322,399</u>

Concentration of Credit Risk

The System's investment policy requires that the securities of any one company or government agency should not exceed 5% of the total fund. At December 31, 2012, the System's investments were within that range.

The System's investment policy and State statutes provide that no more than 70% of the total investments may be in equity holdings and no more than 5% in real estate. As of December 31, 2012, the System's equity holdings accounted for 71% of the total investment portfolio; the System's holdings in real estate were 5% at December 31, 2012.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONCLUDED**

EMPLOYEES' RETIREMENT SYSTEM - CONCLUDED

Interest Rate Risk

For investments, the risk that changes in interest rates will adversely affect the fair value of the investment is known as interest rate risk. The System's investment policy does not address interest rate risk. As of December 31, 2012, maturities of the System's debt securities were as follows:

	Fair Value	Investment Maturities (fair value by years)			
		Less than 1	1-5	6-10	More than 10
U.S. treasuries	\$ 59,777,030	\$ 20,344,186	\$ 6,599,950	\$ 5,177,311	\$ 27,655,583
U.S. agencies	7,300,373	-	4,399,806	1,579,309	1,321,258
Corporate bonds	29,916,106	459,131	8,825,257	10,186,769	10,444,949
Collateralized mortgage obligations	27,322,399	-	4,077,411	1,299,618	21,945,370
	<u>\$ 124,315,908</u>	<u>\$ 20,803,317</u>	<u>\$ 23,902,424</u>	<u>\$ 18,243,007</u>	<u>\$ 61,367,160</u>

Derivatives

The System's investment policy permits the prudent use of derivatives to reduce portfolio risk and enhance investment return. Under the terms of the investment agreements, portfolio managers are required to report all derivative holdings on a quarterly basis. The Investment Committee monitors these reports to evaluate the System's exposure to credit, market and legal risk.

The portfolios managed by Jennison Associates have utilized U.S. currency futures contracts, a type of derivative, to reduce overall portfolio volatility caused by interest rate risk. At December 31, 2012, the portfolio had no U.S. currency futures contracts.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions in the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2012:

	Primary Government	Component Units	Fiduciary Funds	Reporting Entity
Cash and cash equivalents	\$ 28,381,890	\$ 4,816,202	\$ 10,608,673	\$ 43,806,765
Cash and cash equivalents - restricted	13,478,111	1,361,292	-	14,839,403
Investments	11,972,472	4,622,690	526,619,575	543,214,737
Investments with agents	2,596,985	-	-	2,596,985
	<u>\$ 56,429,458</u>	<u>\$ 10,800,184</u>	<u>\$ 537,228,248</u>	<u>\$ 604,457,890</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at December 31, 2012, are as follows:

Due to General Fund from:	
Building Authority Debt Service Fund	\$ 591,699
Wastewater Fund	285,650
Water Fund	478,381
Nonmajor governmental funds	1,803,635
Nonmajor enterprise fund	744
Internal service fund	705,603
	<u>\$ 3,865,712</u>
Due to Wastewater Fund from:	
General Fund	\$ 15,327
Water Fund	123,987
Internal service fund	163,238
Nonmajor governmental funds	1,778,850
	<u>\$ 2,081,402</u>
Due to Water Fund from:	
General Fund	\$ 76,539
Wastewater Fund	76,585
Nonmajor governmental funds	22,135
	<u>\$ 175,259</u>
Due to nonmajor governmental funds from:	
General Fund	\$ 442,296
Nonmajor governmental funds	41,400
Internal service fund	10,902
	<u>\$ 494,598</u>
Due to internal service funds from:	
General Fund	\$ 2,369,263
Wastewater Fund	1,348,340
Water Fund	643,502
Nonmajor governmental funds	244,550
Nonmajor enterprise fund	3,537
	<u>\$ 4,609,192</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transactions that have not cleared as of the balance sheet date.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE D: ADVANCES RECEIVABLE AND PAYABLES**

The following schedule details advances receivable and payable between funds of the primary government at December 31, 2012:

Advance from General Fund to:	
Internal service fund	<u>\$ 340,000</u>

The advance to the internal service fund (Insurance and Benefit Fund) from the General Fund was made for the purpose of financing electronic payroll transfers.

**NOTE E: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business type funds, and component units have been eliminated.

Transfers to General Fund from:	
Internal service fund	<u>\$ 1,890,252</u>
Transfers to Building Authority Debt Service Fund from:	
Nonmajor governmental funds	<u>\$ 1,559,215</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 3,759,026
Nonmajor governmental funds	4,569,355
Internal service fund	<u>43,728</u>
	<u>\$ 8,372,109</u>

Transfers are used to move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them, move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE F: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2012, was as follows:

**Primary Government**

	Balance Jan. 1, 2012	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2012
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 29,859,008	\$ -	\$ (1,155)	\$ 29,857,853
Construction in progress	8,357,150	4,163,933	(4,512,677)	8,008,406
Subtotal	38,216,158	4,163,933	(4,513,832)	37,866,259
Capital assets being depreciated				
Land improvements	12,197,091	197,205	-	12,394,296
Buildings and improvements	52,682,601	436,916	-	53,119,517
Vehicles	14,199,371	146,085	(201,059)	14,144,397
Machinery and equipment	11,202,579	1,944,492	(55,590)	13,091,481
Intangible assets	2,125,380	246,555	-	2,371,935
Infrastructure	197,625,760	1,997,911	-	199,623,671
Subtotal	290,032,782	4,969,164	(256,649)	294,745,297
Less accumulated depreciation for:				
Land improvements	(3,296,557)	(479,959)	-	(3,776,516)
Buildings and improvements	(13,507,301)	(1,467,819)	-	(14,975,120)
Vehicles	(10,639,548)	(715,150)	196,084	(11,158,614)
Machinery and equipment	(8,718,261)	(889,943)	55,589	(9,552,615)
Intangible assets	(1,808,658)	(128,133)	-	(1,936,791)
Infrastructure	(111,667,763)	(3,718,735)	-	(115,386,498)
Subtotal	(149,638,088)	(7,399,739)	251,673	(156,786,154)
Net capital assets being depreciated	140,394,694	(2,430,575)	(4,976)	137,959,143
Capital assets, net	<u>\$ 178,610,852</u>	<u>\$ 1,733,358</u>	<u>\$ (4,518,808)</u>	<u>\$ 175,825,402</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 1,040,117
Public safety	1,940,317
Community and economic development	9,931
Parks and recreation	389,648
Streets	3,713,311
Public works	306,415
Total depreciation expense	<u>\$ 7,399,739</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE F: CAPITAL ASSETS - CONTINUED**

**Primary Government - Concluded**

	Balance Jan. 1, 2012	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2012
<b>Business-Type Activities</b>				
Capital assets not being depreciated				
Land	\$ 3,268,225	\$ -	\$ -	\$ 3,268,225
Construction in progress	9,099,760	758,426	(449,218)	9,408,968
Subtotal	12,367,985	758,426	(449,218)	12,677,193
Capital assets being depreciated				
Land improvements	13,502,707	55,746	-	13,558,453
Building and improvements	91,580,787	808,780	-	92,389,567
Vehicles	3,168,457	387,477	(29,996)	3,525,938
Machinery and equipment	57,101,138	471,704	(9,204)	57,563,638
Infrastructure	162,004,319	3,702,492	-	165,706,811
Intangible assets	1,668,490	6,698	-	1,675,188
Subtotal	329,025,898	5,432,897	(39,200)	334,419,595
Less accumulated depreciation for:				
Land improvements	(8,657,854)	(380,654)	-	(9,038,508)
Building and improvements	(41,251,785)	(1,800,113)	-	(43,051,898)
Vehicles	(2,670,587)	(181,897)	29,996	(2,822,488)
Machinery and equipment	(45,081,145)	(1,616,808)	9,204	(46,688,749)
Infrastructure	(64,868,399)	(3,358,436)	-	(68,226,835)
Intangible assets	(1,053,381)	(183,229)	-	(1,236,610)
Subtotal	(163,583,151)	(7,521,137)	39,200	(171,065,088)
Net capital assets being depreciated	165,442,747	(2,088,240)	-0-	163,354,507
Capital assets, net	<u>\$ 177,810,732</u>	<u>\$ (1,329,814)</u>	<u>\$ (449,218)</u>	<u>\$ 176,031,700</u>

Depreciation expense was charged to the following business-type activities:

Wastewater	\$ 4,187,408
Water	3,329,769
City Market	<u>3,960</u>
Total depreciation expense	<u>\$ 7,521,137</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE F: CAPITAL ASSETS - CONTINUED**

**Component Units**

	Balance Jan. 1, 2012	Additions	Deletions	Balance Dec. 31, 2012
<b>Downtown Development Authority</b>				
Capital assets not being depreciated				
Land	\$ 58,162	\$ -	\$ -	\$ 58,162
Capital assets being depreciated				
Leasehold improvements	237,505	96,559	-	334,064
General and administrative equipment	210,724	-	-	210,724
Equipment	531,364	36,924	(34,581)	533,707
Equipment under capital lease	157,621	-	-	157,621
Subtotal	1,137,214	133,483	(34,581)	1,236,116
Less accumulated depreciation for:				
Leasehold improvements	(163,061)	(17,889)	-	(180,950)
General and administrative equipment	(204,484)	(1,784)	-	(206,268)
Equipment	(442,583)	(35,187)	34,581	(443,189)
Equipment under capital lease	(157,621)	-	-	(157,621)
Subtotal	(967,749)	(54,860)	34,581	(988,028)
Net capital assets being depreciated	169,465	78,623	-0-	248,088
Capital assets, net	<u>\$ 227,627</u>	<u>\$ 78,623</u>	<u>\$ -0-</u>	<u>\$ 306,250</u>
	Balance Jan. 1, 2012	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2012
<b>Metro Transit</b>				
Capital assets not being depreciated				
Land	\$ 2,012,631	\$ -	\$ -	\$ 2,012,631
Construction in progress	2,262,472	1,855,673	(2,082,084)	2,036,061
Subtotal	4,275,103	1,855,673	(2,082,084)	4,048,692
Capital assets being depreciated				
Building and improvements	16,068,591	2,082,084	-	18,150,675
Land improvements	399,835	-	-	399,835
Machinery and equipment	2,368,484	18,924	-	2,387,408
Vehicles	15,022,401	151,561	(828,593)	14,345,369
Intangible assets	29,900	33,120	-	63,020
Subtotal	33,889,211	2,285,689	(828,593)	35,346,307
Less accumulated depreciation for:				
Building and improvements	(5,064,592)	(617,497)	-	(5,682,089)
Land improvements	(319,923)	(10,895)	-	(330,818)
Machinery and equipment	(1,672,657)	(198,513)	-	(1,871,170)
Vehicles	(7,320,757)	(1,163,516)	828,593	(7,655,680)
Intangible assets	(1,495)	(8,510)	-	(10,005)
Subtotal	(14,379,424)	(1,998,931)	828,593	(15,549,762)
Net capital assets being depreciated	19,509,787	286,758	-0-	19,796,545
Capital assets, net	<u>\$ 23,784,890</u>	<u>\$ 2,142,431</u>	<u>\$ (2,082,084)</u>	<u>\$ 23,845,237</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE F: CAPITAL ASSETS - CONCLUDED**

**Component Units - Concluded**

	Balance Jan. 1, 2012	Additions	Deletions	Balance Dec. 31, 2012
<b>Kalamazoo Municipal Golf Association</b>				
Capital assets not being depreciated				
Rights to liquor license	\$ 96,482	\$ 42,718	\$ -	\$ 139,200
Capital assets being depreciated				
Land improvements	2,067,561	17,110	-	2,084,671
Building and improvements	1,072,361	1,000	-	1,073,361
Machinery and equipment	1,235,623	136,122	-	1,371,745
Sprinkler systems	193,063	45,568	-	238,631
Subtotal	4,568,608	199,800	-0-	4,768,408
Less accumulated depreciation for:				
Land improvements	(1,581,712)	(59,955)	-	(1,641,667)
Building and improvements	(805,944)	(13,762)	-	(819,706)
Machinery and equipment	(889,715)	(42,307)	-	(932,022)
Sprinkler systems	(178,851)	(1,831)	-	(180,682)
Subtotal	(3,456,222)	(117,855)	-0-	(3,574,077)
Net capital assets being depreciated	1,112,386	81,945	-0-	1,194,331
Capital assets, net	<u>\$ 1,208,868</u>	<u>\$ 124,663</u>	<u>\$ -0-</u>	<u>\$ 1,333,531</u>

**NOTE G: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended December 31, 2012.

**Primary Government**

	Balance Jan. 1, 2012	Additions	Deletions	Balance Dec. 31, 2012	Amounts Due Within One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 49,640,000	\$ 4,400,000	\$ (4,290,000)	\$ 49,750,000	\$ 4,630,000
Revenue bonds	6,905,000	-	(1,310,000)	5,595,000	1,355,000
Special assessment bonds	95,000	-	(50,000)	45,000	45,000
Compensated absences	7,424,662	2,486,742	(3,543,984)	6,367,420	1,759,611
Environmental matters	10,860	4,140	-	15,000	-
Uninsured claim liability	4,363,223	15,887,794	(16,992,121)	3,258,896	1,667,281
Subtotal	68,438,745	22,778,676	(26,186,105)	65,031,316	9,456,892
Deferred amounts on refunding	285,763	19,850	(22,024)	283,589	24,432
Total Governmental Activities	68,724,508	22,798,526	(26,208,129)	65,314,905	9,481,324

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE G: LONG-TERM DEBT - CONTINUED**

**Primary Government - Concluded**

	Balance Jan. 1, 2012	Additions	Deletions	Balance Dec. 31, 2012	Amounts Due Within One Year
Business-type Activities					
Revenue bonds	\$ 28,155,000	\$ 11,470,000	\$ (7,125,000)	\$ 32,500,000	\$ 2,095,000
Compensated absences	1,884,075	732,037	(1,808,364)	807,748	189,832
Subtotal	30,039,075	12,202,037	(8,933,364)	33,307,748	2,284,832
Deferred amounts on refunding	(290,868)	(32,332)	218,995	(104,205)	(15,258)
Total Business-type Activities	29,748,207	12,169,705	(8,714,369)	33,203,543	2,269,574
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 98,472,715</b>	<b>\$ 34,968,231</b>	<b>\$ (34,922,498)</b>	<b>\$ 98,518,448</b>	<b>\$ 11,750,898</b>

**Component Units**

	Balance Jan. 1, 2012	Additions	Deletions	Balance Dec. 31, 2012	Amounts Due Within One Year
Downtown Development Authority					
Bonds and notes payable	\$ 692,159	\$ -	\$ (144,100)	\$ 548,059	\$ 154,100
Economic Development Corporation					
Compensated absences	\$ 22,778	\$ 4,017	\$ -	\$ 26,795	\$ 9,799
Brownfield Redevelopment Authority					
Compensated absences	\$ 11,931	\$ 78	\$ -	\$ 12,009	\$ 1,502
Metro Transit					
Compensated absences	\$ 296,373	\$ 516,778	\$ (611,307)	\$ 201,844	\$ 67,064
Kalamazoo Municipal Golf Association					
City of Kalamazoo contracts	\$ 838,789	\$ 175,000	\$ (101,656)	\$ 912,133	\$ 160,470
EDC contract	225,000	-	(12,113)	212,887	29,695
Milham Park Enterprises advances	19,969	-	(19,969)	-0-	-
Equipment acquisitions	98,202	74,266	(25,351)	147,117	29,902
Debt restructuring discount	(25,019)	-	5,383	(19,636)	-
Total Kalamazoo Municipal Golf Association	\$ 1,156,941	\$ 249,266	\$ (153,706)	\$ 1,252,501	\$ 220,067

**General Obligation Bonds**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued to refund both general obligation and revenue bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are issued as serial bonds with varying amounts of principal maturing each year. The original amount of the general obligation bonds issued was \$80,115,000. General obligation bonds currently outstanding are as follows:

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE G: LONG-TERM DEBT - CONTINUED**

General Obligation Bonds - Concluded

**Primary Government**

	Issuance Date	Interest Rates	Balance Jan. 1, 2012	Additions	Deletions	Balance Dec. 31, 2012	Amounts Due Within One Year
<b>Governmental Activities</b>							
1992 Downtown Development	3/1/1992	5.50%-5.80%	\$ 450,000	\$ -	\$ (225,000)	\$ 225,000	\$ 225,000
1993 Downtown Development Refunding	6/15/1993	4.30%-5.50%	615,000	-	(300,000)	315,000	315,000
1998 Building Authority Refunding	11/17/1998	3.35%-5.25%	2,395,000	-	(600,000)	1,795,000	600,000
2003 Building Authority	1/27/2003	1.75%-3.75%	440,000	-	(215,000)	225,000	225,000
2004 Capital Improvement	4/27/2004	2.00%-4.70%	3,645,000	-	(755,000)	2,890,000	775,000
2005 Parking Ramp	4/11/2005	5.00%-5.25%	5,325,000	-	(265,000)	5,060,000	255,000
2005B Parking Ramp	10/12/2005	5.00%-5.25%	2,135,000	-	(110,000)	2,025,000	115,000
2005 Refunding	7/26/2005	5.125%-5.50%	6,915,000	-	(340,000)	6,575,000	355,000
2006A Building Authority	1/23/2006	4.85%-5.50%	2,445,000	-	(75,000)	2,370,000	80,000
2006B Building Authority	10/26/2006	4.00%-4.40%	3,480,000	-	(175,000)	3,305,000	180,000
2007 Capital Improvement	7/12/2007	3.90%-4.75%	740,000	-	(35,000)	705,000	35,000
2008 Capital Improvement	7/1/2008	3.25%-4.375%	3,530,000	-	(240,000)	3,290,000	245,000
2009 Capital Improvement	6/24/2009	2.50%-4.45%	4,150,000	-	(250,000)	3,900,000	255,000
2010 Capital Improvement	6/22/2010	2.00%-4.00%	2,715,000	-	(160,000)	2,555,000	165,000
2011 Downtown Development Refunding	3/1/2011	2.50%-4.00%	2,115,000	-	(5,000)	2,110,000	5,000
2011 Building Authority Refunding	3/1/2011	2.00%-4.875%	3,860,000	-	(315,000)	3,545,000	320,000
2011 Capital Improvement Bonds	7/14/2011	2.00%-4.25%	4,685,000	-	(225,000)	4,460,000	260,000
2012 Capital Improvement Bonds	3/29/2012	2.00%-3.60%	-	4,400,000	-	4,400,000	220,000
Total General Obligation Bonds			<u>\$ 49,640,000</u>	<u>\$ 4,400,000</u>	<u>\$ (4,290,000)</u>	<u>\$ 49,750,000</u>	<u>\$ 4,630,000</u>

Revenue Bonds

The City also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued was \$12,450,000 for governmental activities and \$46,580,000 for business-type activities. Revenue bonds outstanding at year end are as follows:

	Issuance Date	Interest Rates	Balance Jan. 1, 2012	Additions	Deletions	Balance Dec. 31, 2012	Amounts Due Within One Year
<b>Governmental Activities</b>							
1998 Michigan Transportation Fund	4/1/1998	3.60%-4.75%	\$ 420,000	\$ -	\$ (205,000)	\$ 215,000	\$ 215,000
2004 Michigan Transportation Fund	4/27/2004	3.00%-3.70%	1,415,000	-	(455,000)	960,000	470,000
2007 Michigan Transportation Fund	7/12/2007	4.00%-4.50%	3,065,000	-	(225,000)	2,840,000	235,000
2011 Michigan Transportation Fund	7/26/2011	2.00%-3.00%	2,005,000	-	(425,000)	1,580,000	435,000
Total Governmental Activities			6,905,000	-0-	(1,310,000)	5,595,000	1,355,000
<b>Business-type Activities</b>							
2002 Water System Refunding	6/6/2002	4.50%-4.75%	5,015,000	-	(5,015,000)	-0-	-
2002B Water System Refunding	10/23/2002	2.00%-3.88%	1,245,000	-	(1,245,000)	-0-	-
2004 Water System Refunding	4/27/2004	2.00%-4.65%	4,010,000	-	(155,000)	3,855,000	160,000
2006 Water Supply System and Refunding	11/29/2006	4.00%-4.25%	3,255,000	-	(360,000)	2,895,000	400,000
2007 Water Supply System	7/12/2007	4.00%-4.65%	1,715,000	-	(55,000)	1,660,000	55,000
2009 Wastewater System	12/22/2009	1.90%-6.66%	2,415,000	-	(70,000)	2,345,000	70,000
2009 Water Supply System	12/22/2009	5.57%-6.71%	7,685,000	-	-	7,685,000	-
2011 Wastewater System Refunding	7/26/2011	2.00%-3.25%	2,815,000	-	(225,000)	2,590,000	250,000
2012 Wastewater System	3/29/2012	2.00%-4.00%	-	6,100,000	-	6,100,000	175,000
2012 Wastewater System Refunding			-	5,370,000	-	5,370,000	985,000
Total Business-type Activities			<u>28,155,000</u>	<u>11,470,000</u>	<u>(7,125,000)</u>	<u>32,500,000</u>	<u>2,095,000</u>
Total Revenue Bonds			<u>\$35,060,000</u>	<u>\$11,470,000</u>	<u>\$(8,435,000)</u>	<u>\$38,095,000</u>	<u>\$3,450,000</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE G: LONG-TERM DEBT - CONTINUED**

Special Assessment Debt

The City issues special assessment limited tax bonds to provide funds for certain downtown street improvement projects. The City intends to repay this debt through collections of special assessments. However, these bonds are backed by the full faith and credit of the City and, in the event that special assessment revenues are insufficient to cover debt service expenditures, the City is obligated to make up any shortfall. The original amount of special assessment bonds was \$680,000. Special assessment bonds outstanding at year end are as follows:

	<u>Issuance Date</u>	<u>Interest Rates</u>	<u>Balance Jan. 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2012</u>	<u>Amounts Due Within One Year</u>
Governmental Activities							
1999 Special Assessments Limited Tax	9/1/1999	4.40%-7.00%	<u>\$ 95,000</u>	<u>\$ -</u>	<u>\$ (50,000)</u>	<u>\$ 45,000</u>	<u>\$ 45,000</u>

Environmental Matters

Environmental matters represent the City's share of estimated costs associated with the cleanup of certain sites with soil contamination for which the City is named as a potentially responsible party.

Uninsured Claim Liability

The City estimates the liability for its self-insured coverages and includes both those claims that have been reported as well as those that have not yet been reported. These estimates are prepared with the assistance of the City's third-party administrators for claims management and are recorded in the Insurance and Benefits internal service fund. The long-term portion of the workers' compensation liability has been discounted at a 6% present value factor. Changes in the estimated liability are as follows:

	<u>2012</u>	<u>2011</u>
Estimated liability, beginning of year	\$ 4,363,223	\$ 3,197,654
Estimated claims incurred, including changes in estimates	15,887,794	18,322,637
Claim payments	<u>(16,992,121)</u>	<u>(17,157,068)</u>
Estimated liability, end of year	<u>\$ 3,258,896</u>	<u>\$ 4,363,223</u>

The General Fund, Major Streets, Local Streets, Solid Waste, and Neighborhood and Community Development funds are typically used to liquidate the uninsured claim liabilities through an indirect fringe fee paid to the Insurance and Benefits internal service fund.

Compensated Absences

In accordance with City personnel policies and/or contracts negotiated with various employee groups of the City, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$6,367,420 and \$807,748 for vacation and sick for governmental and business-type activities, respectively, at December 31, 2012. Of those amounts, \$1,759,611 and \$189,832 have been recorded as current liabilities for governmental and business-type activities, respectively.

The General Fund, Major Streets, Local Streets, Solid Waste, and Neighborhood and Community Development funds are typically used to liquidate the liabilities of compensated absences. These funds liquidate vacation, compensated absences, and normal sick leave as a direct payout. The funds are primarily used to liquidate sick leave payouts for retiring employees through an indirect fringe fee paid to the Insurance and Benefits internal service fund.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE G: LONG-TERM DEBT - CONTINUED**

Advance and Current Refundings

On March 29, 2012, the City defeased a portion of the 2002 Water System Revenue Refunding Bonds, Series A, which were due and payable through September 1, 2019, and the 2002 Water System Revenue Refunding Bonds, Series B, which were due and payable through September 1, 2015. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The City issued 2012 Water Supply System Refunding Bonds in the amount of \$5,370,000. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. As a result of the advance refunding, the City decreased its total debt service requirements by \$580,512, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$538,803.

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all debt service payments on the old bonds.

Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At December 31, 2012, \$16,000,161 of bonds outstanding from current and prior year refundings are considered defeased.

No Commitment Debt

Excluded from the statement of net position are bonds issued under the Industrial Development Revenue Bond Act of 1963, as amended, which authorizes municipalities to acquire and lease industrial sites, buildings and equipment. Also excluded are revenue bonds issued by the Economic Development Corporation and Hospital Finance Authority to acquire and lease property to third parties. The revenue bonds used are payable solely from the net revenue derived from the respective leases and are not a general obligation of the City. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts, amounting to \$393,305,000, are not reflected in the City's financial statements. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable sources.

**Component Units**

Downtown Development Authority

Long-term bonds and notes at December 31, 2012, are comprised of the following:

	<u>Final Maturity Dates</u>	<u>Interest Rates</u>	<u>Outstanding Balance</u>
2004 Revenue Bonds	11/1/2014	4.40%	\$ 160,000
Catalyst Development Co. 3, L.L.C. Note	12/1/2014	7.00%	<u>388,059</u>
			<u>\$ 548,059</u>

The Downtown Development Authority is also responsible for debt service payments on \$3,180,000 of outstanding governmental activities general obligation bonds.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE G: LONG-TERM DEBT - CONTINUED**

**Component Units - Concluded**

Economic Development Corporation

In accordance with City personnel policies and/or contracts negotiated with various employee groups of the City, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. As a component unit of the City, the EDC follows those policies. The dollar amount of these vested rights, including related payroll taxes, amounted to \$26,795 for vacation and sick at December 31, 2012. Of that total amount, \$9,799 has been recorded as a current liability.

Brownfield Redevelopment Authority

In accordance with City personnel policies and/or contracts negotiated with various employee groups of the City, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. As a component unit of the City, the BRDA follows those policies. The dollar amount of these vested rights, including related payroll taxes, amounted to \$12,009 for vacation and sick at December 31, 2012. Of that total amount, \$1,502 has been recorded as a current liability.

Metro Transit

In accordance with the City of Kalamazoo Metro Transit System's personnel policies and/or contracts negotiated with the various employee groups of the System, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$201,844 for vacation and sick at December 31, 2012. The amounts of \$67,064 and \$134,780 have been reported as current and noncurrent liabilities, respectively.

Kalamazoo Municipal Golf Association

From time to time, the City has issued general obligation bonds and installment purchase contracts to provide funds for the acquisition and construction of major capital facilities. The Association has entered into contractual agreements with the City to provide for debt service on such obligations. The 1998 City contract payable is payable in one remaining principal installment of \$59,745. The 2011 City contract payable is payable in annual installments ranging between \$91,975 and \$125,542, plus interest at an average rate of 4.06% per annum. The 2012 Contract payable, City, is payable in annual principal installments ranging between \$8,750 and \$13,720, plus interest at an average rate of 3.978% per annum. The underlying 2011 and 2012 debt is general obligation debt of the City and, thus, is backed by the full faith and credit of the City.

The 2009 Contract payable, Economic Development Corporation, is payable in monthly installments of interest (3.00%) only through July 2012, and \$2,973, including interest of 3.00% per annum, thereafter, through July 2019.

The 2009 Advances payable, Milham Park Enterprises, bears interest of 1% per year, and matured in 2012.

The 2011 PNC equipment acquisition note is payable in annual installments of \$22,262, including imputed interest of 4.650%, through April 2016. The 2012 PNC equipment acquisition note is payable in monthly installments of \$1,196, including imputed interest of 5.26%, through April 2018.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE G: LONG-TERM DEBT - CONCLUDED**

The annual requirements to pay the debt principal and interest outstanding for bonds and loans are as follows:

Year Ending Dec. 31,	Primary Government					
	General Obligation Bonds		Revenue Bonds			
	Principal	Interest	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 4,630,000	\$ 2,070,693	\$ 1,355,000	\$ 176,261	\$ 2,095,000	\$ 1,462,613
2014	4,275,000	1,849,761	1,205,000	132,808	2,325,000	1,296,673
2015	3,425,000	1,707,898	730,000	104,293	2,380,000	1,235,983
2016	3,545,000	1,585,860	465,000	87,143	1,680,000	1,170,627
2017	3,640,000	1,447,095	275,000	74,205	1,670,000	1,130,118
2018-2022	15,715,000	5,241,256	1,565,000	179,385	6,755,000	4,969,855
2023-2027	12,960,000	1,945,249	-	-	5,915,000	3,723,403
2028-2032	1,560,000	126,239	-	-	7,210,000	2,086,590
2033-2034	-	-	-	-	2,470,000	249,524
	<u>\$ 49,750,000</u>	<u>\$ 15,974,051</u>	<u>\$ 5,595,000</u>	<u>\$ 754,095</u>	<u>\$ 32,500,000</u>	<u>\$ 17,325,386</u>

Year Ending Dec. 31,	Primary Government Special Assessment Bonds		Component Units			
	Principal	Interest	Kalamazoo Municipal Golf Association		Downtown Development Authority	
			Principal	Interest	Principal	Interest
2013	\$ 45,000	\$ 2,385	\$ 220,067	\$ 42,577	\$ 154,100	\$ 21,576
2014	-	-	178,999	35,775	393,959	5,728
2015	-	-	191,340	29,908	-	-
2016	-	-	194,104	23,643	-	-
2017	-	-	179,157	16,683	-	-
2018-2022	-	-	308,470	29,463	-	-
	<u>\$ 45,000</u>	<u>\$ 2,385</u>	<u>\$ 1,272,137</u>	<u>\$ 178,049</u>	<u>\$ 548,059</u>	<u>\$ 27,304</u>

**NOTE H: SHORT-TERM DEBT**

During the year ended December 31, 2012 the City issued and repaid \$3,000,000 of tax revenue anticipation notes. The purpose of this short-term debt is to provide liquidity for the governmental operations financed by property taxes, which are collected throughout the year.

	Issuance Date	Interest Rate	Balance Jan. 1, 2012	Additions	Deletions	Balance Dec. 31, 2012
Tax Anticipation Note, Series 2012	1/24/2012	0.90%	\$ -0-	\$ 3,000,000	\$ (3,000,000)	\$ -0-

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE I: DEFINED BENEFIT PENSION PLAN**

Plan Description

The Employees' Retirement System is the administrator of a single-employer defined benefit contributory plan that covers all full-time employees and some part-time employees of the City. The Plan was originally established by City ordinance on February 5, 1952, and is maintained as a Pension Trust Fund in the accompanying financial statements. Plan benefit provisions were established and may be amended under the authority of City ordinances. The System provides retirement benefits, as well as death and disability benefits. The system issues a publicly available financial report that includes financial statements and required supplementary information, which may be obtained by writing to the City of Kalamazoo Employees' Retirement System, 241 W. South Street, MI 49007.

Summary of Significant Accounting Policies

The financial statements of the Employees' Retirement System are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Funding Policy

Plan members are required to contribute between 1.0 to 6.5% of annual compensation to the System for pension benefits, depending on bargaining unit. The City is required to contribute such additional amounts, as necessary, based on actuarial determinations, to provide assets sufficient to pay for member benefits. No employer contributions were required for year ended December 31, 2012, however, the City voluntarily contributed \$905,746 to the Plan.

Annual Pension Cost

For year ended December 31, 2012 the City's annual pension cost was \$-0-. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2011, using the individual entry age method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) a 7.50 percent investment rate of return (b) projected salary increases of 4.0% percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 4.0% to 12.0% per year depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five (5) year period. When applicable, the unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty years on an open basis.

Schedule of Funding Progress:

	2010	As of December 31, 2011	2012
	<u>2010</u>	<u>2011</u>	<u>2012</u>
Actuarial value of assets	\$ 518,339,022	\$ 509,931,421	\$ 505,234,953
Actuarial accrued liability (AAL)	367,423,552	380,802,126	420,711,365
Overfunded AAL (OAAL)	150,915,470	129,129,295	84,523,588
Funded ratio	141%	134%	120%
Annual covered payroll	43,007,800	42,305,663	36,538,969
Ratio of OAAL to covered payroll	350.9%	305.2%	231.3%

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE I: DEFINED BENEFIT PENSION PLAN - CONCLUDED**

Annual Pension Cost - Concluded

Schedule of employer contributions:

	Year Ended December 31,		
	2010	2011	2012
Annual pension cost	\$ -	\$ -	\$ -
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

**NOTE J: OTHER POST-EMPLOYMENT BENEFITS**

Plan Description

The City of Kalamazoo Postretirement Welfare Benefits Plan (the "Plan") is a single-employer defined other post-employment benefit plan administered by the City of Kalamazoo. The City provides medical and dental insurance benefits to eligible retirees and their spouses. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. In addition to the healthcare benefits described above, the Plan provides a death benefit of \$1,000 to all eligible retirees.

The following are the Governmental Accounting Standards Board Statement No. 45 (GASB Statement 45) required disclosures that have been implemented prospectively by the City.

Membership in the plan at December 31, 2011 (latest actuarial report) is as follows:

Retirees and Beneficiaries receiving benefits	776
Active plan members	710
	<u>1,486</u>

This plan does not issue separate stand-alone financial statements.

Funded Status and Funding Progress

The Plan's funding policy provides for periodic contributions by the City at actuarially determined rates expressed as a percentage of annual covered payroll. The City is required to contribute at a rate of 41.7% of annual covered payroll. The annual required contribution (ARC) represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years.

The City employees are expected to contribute 0.5% of their annual covered payroll.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented below, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities or benefits.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE J: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

Actuarial Methods and Assumptions - Continued

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For year ended December 31, 2012, the City's annual OPEB cost was \$13,777,124. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2011, using the individual entry age method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) a 4.0 percent investment rate of return (b) projected salary increases of 4.0% percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0.0% to 12.0% per year depending on age, seniority and merit, (d) the healthcare cost trend rate of 4.0% to 8.0%, and (e) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five (5) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty years on a closed basis.

The City's computed contribution and actual funding is summarized as follows:

Annual required contribution (ARC)	\$ 14,789,698
Interest on net OPEB obligation	2,271,604
Adjustment to annual required contribution	<u>(3,284,178)</u>
Annual OPEB cost	13,777,124
Contributions made	<u>6,834,384</u>
Increase in net OPEB obligation	6,942,740
Net OPEB obligation - beginning of year	<u>56,790,113</u>
Net OPEB obligation - end of year	<u><u>\$ 63,732,853</u></u>

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation for the years ended December 31, were as follows:

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Annual OPEB cost	\$ 22,717,456	\$ 23,417,368	\$ 13,777,124
Percentage contributed	31.5%	28.5%	49.6%
Net OPEB obligation	40,037,492	56,790,113	63,732,853

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE J: OTHER POST-EMPLOYMENT BENEFITS - CONCLUDED**

Actuarial Methods and Assumptions - Concluded

The schedule of funding progress of the plan based on the most recent valuations is as follows:

	<u>2007</u>	<u>2009</u>	<u>2011</u>
Actuarial value of assets	\$ -	\$ -	\$ -
Actuarial accrued liability (AAL)	206,854,739	263,182,000	190,631,174
Unfunded AAL (UAAL)	206,854,739	263,182,000	190,631,174
Funded ratio	0%	0%	0%
Annual covered payroll	45,214,897	44,060,796	44,227,533
Ratio of UAAL to covered payroll	457.5%	597.3%	431.0%

**NOTE K: RISK MANAGEMENT**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for excess claims for workers' compensation, medical claims, general and auto liability, auto physical damage and property loss claims. The City is primarily self-insured for workers' compensation, medical claims, general liability and property damage claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three (3) fiscal years.

The City participates in the Michigan Municipal Risk Management Authority (the Authority) risk pool for claims relating to general and auto liability including medical malpractice, auto physical damage, and property loss claims. The Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for the losses in excess of member retention amounts. Although premiums are paid annually to the Authority that are used to pay claims to the retention limits, the ultimate liability for those claims remains with the City.

**NOTE L: CONTINGENT LIABILITIES**

Lawsuits

The City is a defendant in various legal actions arising in the normal course of its activities including certain discrimination cases on file with the Equal Employment Opportunity Commission and the Michigan Department of Civil Rights. In the opinion of the City Attorney and management, the potential uninsured liability that may result from these actions should not exceed amounts either reserved in the Insurance and Benefits Fund (an internal service fund) or included in funds maintained by the City's claims administrators.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE L: CONTINGENT LIABILITIES - CONCLUDED**

Environmental

The City of Kalamazoo has identified a number of sites within its boundaries that are in need of environmental remediation. Some are privately-held properties, and some are owned by the County and/or the City of Kalamazoo. The City of Kalamazoo has been named as a Potentially-Responsible Party (PRP) by the U.S. Environmental Protection Agency (EPA) in two such sites: the Cork Street Landfill and the Auto Ion site. The City has also entered into cleanup agreements, although not named as a PRP, for two other sites. Based on currently available information, the City has recorded liabilities for the net present value of estimated response costs for these sites in the amount of \$15,000 in the government-wide statements. The City has set aside \$744,739 in its Cork Street Landfill construction fund to cover the estimated net present value of costs associated with that site. The landfills do not accept municipal waste as defined by the EPA; therefore, the Government Accounting Standard Board rules on closure and post-closure care costs do not apply.

The City has entered into trust agreements for three of these sites. It acts as Executive Agent for the Cork Street Landfill Trust, the other two trusts being administered by other parties. The Cork Street Landfill Trust is recorded in the Cork Street Landfill Cap Construction Fund. In 2000, the City issued \$1.3 million in environmental bonds for a portion of its share of the costs for the Cork Street landfill. The proceeds of the bonds were placed in the trust; however, the City is solely responsible for the repayment of those bonds, the outstanding balance of which is recorded in the Statement of Net Position.

Commitments

The City is obligated for construction contracts relating to various construction projects in the amount of \$7,419,551, bus purchases for \$5,484,471, intelligent transportation system for \$1,346,477, and general contractual commitments for \$2,085,134. These commitments are not susceptible to accrual. Accordingly, no liabilities have been recorded in the basic financial statements.

**NOTE M: BUDGET/GAAP RECONCILIATION**

The Statement and Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual are presented on the same basis of accounting used in preparing the adopted budget. The following schedule reconciles the amounts on those schedules to the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds.

	Budgetary Basis	Basis Difference	GAAP Basis
General Fund			
Unearned revenue	\$ 262,418	\$ 2,369,396	\$ 2,631,814
Property taxes	29,000,916	1,412,093	30,413,009
Fund balance, beginning of year	13,342,846	(3,781,489)	9,561,357
Fund balance, end of year	10,056,433	(2,369,396)	7,687,037
Solid Waste Fund			
Unearned revenue	-	160,128	160,128
Property taxes	2,191,783	60,305	2,252,088
Fund balance, beginning of year	1,691,209	(220,433)	1,470,776
Fund balance, end of year	1,340,100	(160,128)	1,179,972

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE N: RESTRICTED NET POSITION**

Restrictions of net position shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net position restrictions as of December 31, 2012:

PRIMARY GOVERNMENT	
Governmental Activities	
Nonexpendable	\$ 3,627,564
Expendable	
Major and local street projects	4,302,179
Solid waste program	1,179,972
Parks and recreation	528,574
Neighborhood and community development	1,020,025
Other purposes	
Drug enforcement	989,172
Cemetery perpetual care	2,029,055
Grants and donations	269,961
	<u>\$ 13,946,502</u>
Business-type Activities	
Restricted for bond reserves	
Wastewater Fund	\$ 902,532
Water Fund	1,929,428
	<u>\$ 2,831,960</u>

**NOTE O: FUND EQUITY DEFICITS**

The Local Development Finance Authority (LDFA) component unit had a deficit in fund balance at December 31, 2012, of \$681,616. The LDFA deficit fund balance was a planned deficit as eligible expenditures were incurred in advance of tax increment financing revenues. The LDFA plans to eliminate its deficit through future tax increment financing collections.

**NOTE P: SUBSEQUENT EVENTS**

The City issued one bond and one note after the end of the fiscal year. On January 8, 2013 the Tax Anticipation Notes, Series 2013 was obligated for \$3,000,000.

On March 26, 2013, the 2013 Capital Improvement Bonds were issued for \$4,200,000 for the purpose of funding certain capital improvements in the City's Capital Improvement Program Fund, Major Streets Fund, and Local Streets Fund. In addition, \$200,000 of these bonds were provided to the Kalamazoo Municipal Golf Association for capital improvements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE Q: DETAILS OF FUND BALANCE CLASSIFICATIONS**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five classifications of fund balance under this standard.

*Nonspendable* - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

*Restricted* - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

*Committed* - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

*Assigned* - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

*Unassigned* - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

**Fund Balance Classification Policies and Procedures**

For committed fund balance, City of Kalamazoo's highest level of decision-making authority is the Board of Commissioners. The formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment is a Board Resolution.

For assigned fund balance, the Board of Commissioners has not approved a policy indicating who is to assign amounts to a specific purpose. As a result, this authority is retained by the Board of Commissioners.

For the classification of fund balances, City of Kalamazoo considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the City considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE Q: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONCLUDED**

	General Fund	Building Authority Debt Service	Nonmajor Governmental Funds	Total
Fund Balances				
Nonspendable				
Inventory	\$ 101,921	\$ -	\$ 356,389	\$ 458,310
Prepays	55,517	-	2,744	58,261
Advances	340,000	-	3,253,488	3,593,488
Notes receivable	129,110	-	1,458,118	1,587,228
Cemetery perpetual care	-	-	1,735,160	1,735,160
Endowments	-	-	1,892,404	1,892,404
Restricted				
Highways	-	-	3,076,826	3,076,826
Solid waste	-	-	1,179,972	1,179,972
Grants and donations	-	-	522,016	522,016
Drug enforcement	-	-	989,172	989,172
Recreation activities	-	-	361,162	361,162
Park activities	-	-	167,412	167,412
Cemetery perpetual care	-	-	2,029,055	2,029,055
Debt service	-	61,151	32,464	93,615
Committed				
Economic development programs	-	-	1,181,296	1,181,296
Debt financed projects	-	-	15	15
Capital projects	-	-	1,344,746	1,344,746
Cemeteries	-	-	230,640	230,640
Assigned				
Subsequent year's expenditures	3,503,397	-	-	3,503,397
Unassigned	3,557,092	-	-	3,557,092
 TOTAL FUND BALANCES	 <u>\$ 7,687,037</u>	 <u>\$ 61,151</u>	 <u>\$ 19,813,079</u>	 <u>\$ 27,561,267</u>

**NOTE R: RESTATEMENT OF NET POSITION**

Beginning net position for the governmental activities was decreased by \$4,799,997 to record the effects of a prior period adjustment in the Neighborhood and Community Development Fund.

Beginning net position of the Metro Transit component unit was decreased by \$80,945 to reflect a recalculation by the State of Michigan of the Transit's operating assistance calculation.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE S: PRIOR PERIOD ADJUSTMENT**

The following prior period adjustment was made during the year, which is the result of the correction of an accounting error. This adjustment is reported as a change to beginning fund balance. The effect on operations and other affected balance for the current and prior period are as follows:

	December 31,		Description
	2012	2011	
Primary Government			
Special Revenue Funds			
Neighborhood and Community			
Development Fund			
Notes receivable	\$ -	\$ (4,799,997)	Correct overstated notes receivable
Change in fund balance	-	(4,799,997)	
Fund balance - beginning	(4,799,997)	-	

**NOTE T: CHANGE IN ACCOUNTING PRINCIPLE**

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This GASB statement also provides a new format to certain financial statements to report all asset, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. This Statement impacted the format and reporting of the statement of net position and the balance sheet at the government-wide level and at the fund level, respectively. Currently, the City does not report any deferred outflows of resources or deferred inflows of resources.

**NOTE U: UPCOMING ACCOUNTING PRONOUNCEMENTS**

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement No. 14 and Statement No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Management is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2013 fiscal year.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement will be effective for the City's 2013 fiscal year.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans*. The statement will establish accounting and financial reporting requirements related to defined benefit pension plans and specify the required approach to measuring the pension liability of employers. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. This statement will be effective for the City's 2014 fiscal year.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE U: UPCOMING ACCOUNTING PRONOUNCEMENTS - CONCLUDED**

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the City's 2015 fiscal year.

## **REQUIRED SUPPLEMENTARY INFORMATION**

City of Kalamazoo

DEFINED BENEFIT PENSION PLAN

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Overfunded AAL (OAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	OAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/2012	\$ 505,234,953	\$ 420,711,365	\$ 84,523,588	120.1%	\$ 36,538,969	231.3%
12/31/2011	509,931,421	380,802,126	129,129,295	133.9%	42,305,663	305.2%
12/31/2010	518,339,022	367,423,552	150,915,470	141.1%	43,007,800	350.9%
12/31/2009	509,060,409	358,160,400	150,900,009	142.1%	44,435,753	339.6%
12/31/2008	506,592,573	344,799,153	161,793,420	146.9%	44,159,590	366.4%
12/31/2007	500,788,244	327,242,870	173,545,374	153.0%	42,889,419	404.6%
12/31/2006	463,280,966	312,101,938	151,179,028	148.4%	42,164,958	358.5%
12/31/2005	422,565,761	294,416,007	128,149,754	143.5%	40,944,435	313.0%
12/31/2004	390,615,277	265,080,190	125,535,087	147.4%	41,989,819	299.0%
12/31/2003	361,205,383	245,919,424	115,285,959	146.9%	40,914,264	281.8%
12/31/2002	348,677,897	230,979,927	117,697,970	151.0%	40,316,918	291.9%
12/31/2001	349,206,708	220,302,430	128,904,278	158.5%	41,595,437	309.9%

Schedule of Employer Contributions

Year Ended December 31,	Annual Required Contribution	Annual Actual Contribution	Percentage Contribution
2012	\$ -	\$ 905,746	N/A
2011	-	-	N/A
2010	-	-	N/A
2009	-	-	N/A
2008	-	-	N/A
2007	-	-	N/A
2006	-	-	N/A
2005	-	-	N/A
2004	-	-	N/A
2003	-	-	N/A
2002	-	-	N/A
2001	-	-	N/A

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2012

**NOTE A: DEFINED BENEFIT PENSION PLAN**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, healthcare cost trends and other factors. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of employer contributions presents trend information about the amounts contributed to the plan by the employer in comparison to the Annual Required Contribution (ARC), an amount that is actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortized any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuations follows:

Defined Benefit Pension Plan

Actuarial valuation:	
Frequency	Annual
Latest date	December 31, 2012
Basis for contribution	December 31, 2011
Actuarial cost method	Individual entry age
Amortization method	Level percent of payroll on an open basis
Remaining amortization period	Rolling 10 year period
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.5%
Projected salary increases	4.0% - 12.0%
*Includes inflation at:	4.0%
Cost-of living adjustments	Determined annually

## **OTHER SUPPLEMENTARY INFORMATION**

City of Kalamazoo

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

December 31, 2012

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,208,131	\$ 32,780	\$ 409,047	\$ 167,486	\$ 5,817,444
Cash and cash equivalents - restricted	1,597,176	-	3,268,658	-	4,865,834
Investments	1,221,305	-	-	3,605,219	4,826,524
Investments with agents	19,702	-	-	2,420,978	2,440,680
Receivables					
Accounts	239,406	2,259	89,732	-	331,397
Special assessments	-	394	-	-	394
Taxes	200,381	-	-	-	200,381
Notes	1,358,118	-	100,000	-	1,458,118
Due from other funds	287,660	-	206,938	-	494,598
Due from other governmental units	1,896,479	-	-	-	1,896,479
Advances to other governmental units	3,078,488	175,000	-	-	3,253,488
Inventories	356,389	-	-	-	356,389
Prepays	2,744	-	-	-	2,744
<b>TOTAL ASSETS</b>	<b>\$ 15,465,979</b>	<b>\$ 210,433</b>	<b>\$ 4,074,375</b>	<b>\$ 6,193,683</b>	<b>\$ 25,944,470</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 605,731	\$ -	\$ 98,721	\$ 5,000	\$ 709,452
Accrued liabilities	31,821	-	-	3,490	35,311
Due to other funds	2,152,342	316	1,737,912	-	3,890,570
Due to other governmental units	47,798	-	-	-	47,798
Deposits payable	164,419	-	744,739	-	909,158
Deferred revenue	488,207	2,653	48,242	-	539,102
<b>TOTAL LIABILITIES</b>	<b>3,490,318</b>	<b>2,969</b>	<b>2,629,614</b>	<b>8,490</b>	<b>6,131,391</b>
<b>FUND BALANCES</b>					
Nonspendable	4,795,739	175,000	100,000	3,627,564	8,698,303
Restricted	5,767,986	32,464	-	2,557,629	8,358,079
Committed	1,411,936	-	1,344,761	-	2,756,697
<b>TOTAL FUND BALANCES</b>	<b>11,975,661</b>	<b>207,464</b>	<b>1,444,761</b>	<b>6,185,193</b>	<b>19,813,079</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 15,465,979</b>	<b>\$ 210,433</b>	<b>\$ 4,074,375</b>	<b>\$ 6,193,683</b>	<b>\$ 25,944,470</b>

City of Kalamazoo

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2012

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total
<b>REVENUES</b>					
Property taxes	\$ 2,252,088	\$ -	\$ -	\$ -	\$ 2,252,088
Intergovernmental	13,104,801	-	484,343	-	13,589,144
Charges for services	719,535	-	-	27,274	746,809
Fines and forfeits	253,594	-	-	-	253,594
Interest and dividends	83,269	81	4,088	178,980	266,418
Net investment earnings	2,606	-	-	686,135	688,741
Other	217,794	4,122	1,087,249	1,858	1,311,023
<b>TOTAL REVENUES</b>	<b>16,633,687</b>	<b>4,203</b>	<b>1,575,680</b>	<b>894,247</b>	<b>19,107,817</b>
<b>EXPENDITURES</b>					
Current					
General government	400,366	-	-	21,600	421,966
Public safety	1,828,883	-	-	-	1,828,883
Public works	2,544,301	-	-	-	2,544,301
Streets	6,854,998	-	-	-	6,854,998
Community and economic development	6,514,089	-	-	-	6,514,089
Parks and recreation	261,790	-	-	31,251	293,041
Debt service					
Principal	-	3,025,000	-	-	3,025,000
Interest and fiscal charges	-	969,380	-	-	969,380
Capital outlay	-	-	1,338,386	-	1,338,386
<b>TOTAL EXPENDITURES</b>	<b>18,404,427</b>	<b>3,994,380</b>	<b>1,338,386</b>	<b>52,851</b>	<b>23,790,044</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,770,740)</b>	<b>(3,990,177)</b>	<b>237,294</b>	<b>841,396</b>	<b>(4,682,227)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt	3,005,000	175,000	1,220,000	-	4,400,000
Bond premium	-	-	19,850	-	19,850
Transfers in	1,928,961	3,992,447	2,450,701	-	8,372,109
Transfers out	(2,677,712)	-	(3,163,284)	(287,574)	(6,128,570)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,256,249</b>	<b>4,167,447</b>	<b>527,267</b>	<b>(287,574)</b>	<b>6,663,389</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>485,509</b>	<b>177,270</b>	<b>764,561</b>	<b>553,822</b>	<b>1,981,162</b>
Fund balances, beginning of year	16,290,149	30,194	680,200	5,631,371	22,631,914
Prior period adjustment	(4,799,997)	-	-	-	(4,799,997)
Fund balances, end of year	<u>\$ 11,975,661</u>	<u>\$ 207,464</u>	<u>\$ 1,444,761</u>	<u>\$ 6,185,193</u>	<u>\$ 19,813,079</u>

## NONMAJOR SPECIAL REVENUE FUNDS

**Major Streets** - The Major Street fund accounts for the construction, maintenance, and repairs of all major streets. Revenues received include state-shared gas and weight taxes, local contributions, etc. This is a Special Revenue Fund because it is used to control the expenditures of motor fuel taxes, which are earmarked by law and the state constitution for street and highway purposes, and is required by Act 51 of the Public Acts of 1951, as amended.

**Local Streets** - The Local Street fund accounts for the construction, maintenance, and repairs of all local streets. Financing is provided by state-shared gas and weight taxes, local contributions, etc. This is a Special Revenue Fund because it is used to control the expenditures of motor fuel taxes, which are earmarked by law and the state constitution for street and highway purposes, and is required by Act 51 of the Public Acts of 1951, as amended.

**Cemeteries** - The Cemeteries Fund is used to account for the earmarked revenues set aside for the purpose of operating the City's cemeteries. This fund is classified as a Special Revenue Fund because of the comparatively limited usage of the assets in this fund.

**Solid Waste** - The Solid Waste Fund accounts for revenues provided by a special tax millage for the collection and removal of solid waste. This millage was authorized by a vote of the people. This fund is classified as a Special Revenue Fund because of the limited usage of the assets in this fund.

**Neighborhood and Community Development** - The Neighborhood and Community Development Fund is used to account for a variety of federal awards programs, including Community Development Block Grant, housing development, rental assistance, and several other programs.

**Economic Development Programs** - The Economic Development Programs Fund is used to account for monies appropriated by the City Commission for economic development activities, such as business loans and loans to the Economic Development Corporation component unit.

**Grants and Donations** - The Grants and Donations Fund is used to account for a variety of federal award programs, most notably the City's Neighborhood Stabilization Program and JAG grants.

**Drug Enforcement** - The Drug Enforcement Fund is used to account for all proceeds of forfeited property seized in connection with a violation of the controlled substance statutes, Public Act 135 of 1985 (MCLA 333, 7521-7524). This fund is classified as a Special Revenue Fund because of the limited usage of its assets.

**Public Safety Contracts** - The Public Safety Contracts Fund is used to account for contractual public safety services provided to entities outside the primary government.

City of Kalamazoo

Nonmajor Special Revenue Funds

COMBINING BALANCE SHEET

December 31, 2012

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Cemeteries</u>	<u>Solid Waste</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 913,670	\$ 748,901	\$ 235,943	\$ 880,099
Cash and cash equivalents - restricted	1,423,728	173,448	-	-
Investments	-	-	-	502,901
Investments with agents	-	-	-	-
Receivables				
Accounts	24,946	-	8,606	-
Taxes	-	-	-	200,381
Notes	-	-	-	-
Due from other funds	28,908	122,179	-	1
Due from other governmental units	687,813	176,078	-	23,871
Advances to other governmental units	886,890	-	-	-
Inventories	338,463	-	-	-
Prepays	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL ASSETS	<u>\$ 4,304,418</u>	<u>\$ 1,220,606</u>	<u>\$ 244,549</u>	<u>\$ 1,607,253</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 115,711	\$ 63,844	\$ 3,719	\$ 31,006
Accrued liabilities	-	-	-	-
Due to other funds	895,827	126,021	9,317	216,390
Due to other governmental units	10,721	10,721	873	19,757
Deposits payable	-	-	-	-
Deferred revenue	-	-	-	160,128
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES	1,022,259	200,586	13,909	427,281
<b>FUND BALANCES</b>				
Nonspendable	1,225,353	-	-	-
Restricted	2,056,806	1,020,020	-	1,179,972
Committed	-	-	230,640	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL FUND BALANCES	3,282,159	1,020,020	230,640	1,179,972
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,304,418</u>	<u>\$ 1,220,606</u>	<u>\$ 244,549</u>	<u>\$ 1,607,253</u>

Neighborhood and Community Development	Economic Development Programs	Grants and Donations	Drug Enforcement	Public Safety Contracts	Total
\$ 455,266	\$ 1,098,165	\$ 149,967	\$ 726,120	\$ -	\$ 5,208,131
-	-	-	-	-	1,597,176
-	205,374	120,892	392,138	-	1,221,305
-	-	19,702	-	-	19,702
94,080	-	44,206	6,211	61,357	239,406
-	-	-	-	-	200,381
747,300	610,818	-	-	-	1,358,118
15,698	571	120,303	-	-	287,660
234,200	45,580	667,886	9,993	51,058	1,896,479
-	2,191,598	-	-	-	3,078,488
17,926	-	-	-	-	356,389
-	-	2,744	-	-	2,744
<u>\$ 1,564,470</u>	<u>\$ 4,152,106</u>	<u>\$ 1,125,700</u>	<u>\$ 1,134,462</u>	<u>\$ 112,415</u>	<u>\$ 15,465,979</u>
\$ 128,647	\$ -	\$ 162,784	\$ 100,020	\$ -	\$ 605,731
-	-	-	31,821	-	31,821
181,437	2,535	600,899	7,501	112,415	2,152,342
685	4,862	179	-	-	47,798
158,471	-	-	5,948	-	164,419
75,205	160,997	91,877	-	-	488,207
544,445	168,394	855,739	145,290	112,415	3,490,318
765,226	2,802,416	2,744	-	-	4,795,739
254,799	-	267,217	989,172	-	5,767,986
-	1,181,296	-	-	-	1,411,936
<u>1,020,025</u>	<u>3,983,712</u>	<u>269,961</u>	<u>989,172</u>	<u>-0-</u>	<u>11,975,661</u>
<u>\$ 1,564,470</u>	<u>\$ 4,152,106</u>	<u>\$ 1,125,700</u>	<u>\$ 1,134,462</u>	<u>\$ 112,415</u>	<u>\$ 15,465,979</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2012

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Cemeteries</u>	<u>Solid Waste</u>
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ 2,252,088
Intergovernmental	4,560,764	1,170,034	-	-
Charges for services	-	-	147,297	-
Fines and forfeits	-	-	-	-
Interest	7,461	3,480	186	1,409
Net investment earnings	-	-	-	-
Other	20,605	-	-	-
	<u>4,588,830</u>	<u>1,173,514</u>	<u>147,483</u>	<u>2,253,497</u>
<b>TOTAL REVENUES</b>	<b>4,588,830</b>	<b>1,173,514</b>	<b>147,483</b>	<b>2,253,497</b>
<b>EXPENDITURES</b>				
Current				
General government	-	-	400,366	-
Public safety	-	-	-	-
Public works	-	-	-	2,544,301
Streets	4,270,993	2,584,005	-	-
Community and economic development	-	-	-	-
Parks and recreation	-	-	-	-
	<u>4,270,993</u>	<u>2,584,005</u>	<u>400,366</u>	<u>2,544,301</u>
<b>TOTAL EXPENDITURES</b>	<b>4,270,993</b>	<b>2,584,005</b>	<b>400,366</b>	<b>2,544,301</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>317,837</b>	<b>(1,410,491)</b>	<b>(252,883)</b>	<b>(290,804)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	2,005,000	1,000,000	-	-
Transfers in	23,340	1,445,388	287,574	-
Transfers out	(1,977,225)	(661,859)	-	-
	<u>51,115</u>	<u>1,783,529</u>	<u>287,574</u>	<u>-0-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>51,115</b>	<b>1,783,529</b>	<b>287,574</b>	<b>-0-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>368,952</b>	<b>373,038</b>	<b>34,691</b>	<b>(290,804)</b>
Fund balances, beginning of year	2,913,207	646,982	195,949	1,470,776
Prior period adjustment	-	-	-	-
Fund balances, end of year	<u>\$ 3,282,159</u>	<u>\$ 1,020,020</u>	<u>\$ 230,640</u>	<u>\$ 1,179,972</u>

Neighborhood and Community Development	Economic Development Programs	Grants and Donations	Drug Enforcement	Public Safety Contracts	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,252,088
3,004,443	-	4,356,876	12,684	-	13,104,801
2,225	-	125,295	22,054	422,664	719,535
-	-	-	253,594	-	253,594
305	68,883	264	1,281	-	83,269
-	-	2,606	-	-	2,606
4,531	-	160,723	31,935	-	217,794
3,011,504	68,883	4,645,764	321,548	422,664	16,633,687
-	-	-	-	-	400,366
-	-	1,049,400	356,819	422,664	1,828,883
-	-	-	-	-	2,544,301
-	-	-	-	-	6,854,998
3,067,629	-	3,446,460	-	-	6,514,089
-	-	261,790	-	-	261,790
3,067,629	-0-	4,757,650	356,819	422,664	18,404,427
(56,125)	68,883	(111,886)	(35,271)	-0-	(1,770,740)
-	-	-	-	-	3,005,000
78,625	-	94,034	-	-	1,928,961
(36,093)	(2,535)	-	-	-	(2,677,712)
42,532	(2,535)	94,034	-0-	-0-	2,256,249
(13,593)	66,348	(17,852)	(35,271)	-0-	485,509
5,833,615	3,917,364	287,813	1,024,443	-	16,290,149
(4,799,997)	-	-	-	-	(4,799,997)
<u>\$ 1,020,025</u>	<u>\$ 3,983,712</u>	<u>\$ 269,961</u>	<u>\$ 989,172</u>	<u>\$ -0-</u>	<u>\$ 11,975,661</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL

Year Ended December 31, 2012

	<u>Major Streets Fund</u>			Variances with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	
<b>REVENUES</b>				
Intergovernmental				
Federal revenue	\$ 873,000	\$ 873,000	\$ -	\$ (873,000)
State trunkline maintenance	250,000	250,000	115,709	(134,291)
Gas and weight tax distribution	3,824,407	3,824,407	3,982,120	157,713
Other state revenue	265,000	265,000	312,935	47,935
Local revenue	-	150,000	150,000	-0-
Interest	5,000	5,000	7,461	2,461
Other	5,000	5,000	20,605	15,605
	<u>5,222,407</u>	<u>5,372,407</u>	<u>4,588,830</u>	<u>(783,577)</u>
<b>EXPENDITURES</b>				
Current				
Streets				
Administration	1,117,952	1,117,952	1,290,955	(173,003)
Repair	351,933	431,397	312,104	119,293
Maintenance	702,694	708,034	554,876	153,158
Pavement painting	85,663	85,663	40,970	44,693
Traffic signals	275,657	315,699	219,399	96,300
Traffic signs	32,955	32,955	43,607	(10,652)
Construction	2,878,000	4,305,590	1,809,082	2,496,508
	<u>5,444,854</u>	<u>6,997,290</u>	<u>4,270,993</u>	<u>2,726,297</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(222,447)	(1,624,883)	317,837	1,942,720
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	2,030,000	3,310,780	2,005,000	(1,305,780)
Transfers in	23,343	23,343	23,340	(3)
Transfers out	(1,793,602)	(1,793,602)	(1,977,225)	(183,623)
	<u>259,741</u>	<u>1,540,521</u>	<u>51,115</u>	<u>(1,489,406)</u>
NET CHANGE IN FUND BALANCE	37,294	(84,362)	368,952	453,314
Fund balance, beginning of year	<u>2,913,207</u>	<u>2,913,207</u>	<u>2,913,207</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 2,950,501</u>	<u>\$ 2,828,845</u>	<u>\$ 3,282,159</u>	<u>\$ 453,314</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL - CONTINUED

Year Ended December 31, 2012

	<u>Local Streets Fund</u>			Variances with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	
<b>REVENUES</b>				
Intergovernmental				
Gas and weight tax distribution	\$ 1,072,760	\$ 1,072,760	\$ 1,122,618	\$ 49,858
Federal grants	-	-	47,416	47,416
Charges for services	31,665	31,665	-	(31,665)
Interest	2,000	2,000	3,480	1,480
Other	3,000	3,000	-	(3,000)
<b>TOTAL REVENUES</b>	<b>1,109,425</b>	<b>1,109,425</b>	<b>1,173,514</b>	<b>64,089</b>
<b>EXPENDITURES</b>				
Current				
Streets				
Administration	859,671	859,671	788,169	71,502
Repair	181,839	215,067	407,468	(192,401)
Maintenance	882,028	887,368	348,333	539,035
Pavement painting	23,875	23,875	5,535	18,340
Traffic signs	22,650	22,650	49,582	(26,932)
Construction	1,000,000	1,164,178	984,918	179,260
<b>TOTAL EXPENDITURES</b>	<b>2,970,063</b>	<b>3,172,809</b>	<b>2,584,005</b>	<b>588,804</b>
<b>EXCESS REVENUES (UNDER) EXPENDITURES</b>	<b>(1,860,638)</b>	<b>(2,063,384)</b>	<b>(1,410,491)</b>	<b>652,893</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	1,010,000	1,125,000	1,000,000	(125,000)
Transfers in	1,445,390	1,445,390	1,445,388	(2)
Transfers out	(661,746)	(661,746)	(661,859)	(113)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,793,644</b>	<b>1,908,644</b>	<b>1,783,529</b>	<b>(125,115)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(66,994)</b>	<b>(154,740)</b>	<b>373,038</b>	<b>527,778</b>
Fund balance, beginning of year	646,982	646,982	646,982	-0-
Fund balance, end of year	<u>\$ 579,988</u>	<u>\$ 492,242</u>	<u>\$ 1,020,020</u>	<u>\$ 527,778</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL - CONTINUED

Year Ended December 31, 2012

	<u>Cemeteries Fund</u>			Variances with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	
REVENUES				
Charges for services	\$ 166,250	\$ 166,250	\$ 147,297	\$ (18,953)
Interest	-	-	186	186
	<u>166,250</u>	<u>166,250</u>	<u>147,483</u>	<u>(18,767)</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
General government	<u>515,865</u>	<u>515,865</u>	<u>400,366</u>	<u>115,499</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(349,615)	(349,615)	(252,883)	96,732
OTHER FINANCING SOURCES				
Transfers in	<u>359,153</u>	<u>359,153</u>	<u>287,574</u>	<u>(71,579)</u>
NET CHANGE IN FUND BALANCE	9,538	9,538	34,691	25,153
Fund balance, beginning of year	<u>195,949</u>	<u>195,949</u>	<u>195,949</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 205,487</u>	<u>\$ 205,487</u>	<u>\$ 230,640</u>	<u>\$ 25,153</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BASIS) AND ACTUAL - CONTINUED

Year Ended December 31, 2012

	<u>Solid Waste Fund</u>			
	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variances with Final Budget Positive (Negative)</u>
REVENUES				
Taxes	\$ 2,274,314	\$ 2,274,314	\$ 2,191,783	\$ (82,531)
Interest	10,000	10,000	1,409	(8,591)
Other	250	250	-	(250)
	<u>2,284,564</u>	<u>2,284,564</u>	<u>2,193,192</u>	<u>(91,372)</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Public works	<u>2,503,960</u>	<u>2,617,515</u>	<u>2,544,301</u>	<u>73,214</u>
NET CHANGE IN FUND BALANCE	(219,396)	(332,951)	(351,109)	(18,158)
Fund balance, beginning of year	<u>1,691,209</u>	<u>1,691,209</u>	<u>1,691,209</u>	<u>-0-</u>
Fund balance, end of year (budgetary basis)	<u>\$ 1,471,813</u>	<u>\$ 1,358,258</u>	1,340,100	<u>\$ (18,158)</u>
Accounting basis difference			<u>(160,128)</u>	
Fund balance, end of year (GAAP basis)			<u>\$ 1,179,972</u>	

City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL - CONTINUED

Year Ended December 31, 2012

Neighborhood and Community Development Fund

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 1,075,031	\$ 4,460,748	\$ 3,004,443	\$ (1,456,305)
Charges for services	-	10,000	2,225	(7,775)
Interest	-	-	305	305
Other	-	45,683	4,531	(41,152)
<b>TOTAL REVENUES</b>	<b>1,075,031</b>	<b>4,516,431</b>	<b>3,011,504</b>	<b>(1,504,927)</b>
<b>EXPENDITURES</b>				
Current				
Community and economic development				
Demolition revolving	40,000	43,011	10,607	32,404
Housing services	904,397	904,397	790,043	114,354
Community Development Block Grant	170,634	2,258,085	1,606,399	651,686
Emergency shelter	-	219,706	104,533	115,173
Housing rehabilitation	-	19,603	1,677	17,926
HOME	-	1,078,561	554,370	524,191
<b>TOTAL EXPENDITURES</b>	<b>1,115,031</b>	<b>4,523,363</b>	<b>3,067,629</b>	<b>1,455,734</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(40,000)</b>	<b>(6,932)</b>	<b>(56,125)</b>	<b>(49,193)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	40,000	40,000	78,625	38,625
Transfers out	-	(36,080)	(36,093)	(13)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>40,000</b>	<b>3,920</b>	<b>42,532</b>	<b>38,612</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-0-</b>	<b>(3,012)</b>	<b>(13,593)</b>	<b>(10,581)</b>
Fund balance, beginning of year	5,833,615	5,833,615	5,833,615	-0-
Prior period adjustment	(4,799,997)	(4,799,997)	(4,799,997)	-0-
Fund balance, end of year	<u>\$ 1,033,618</u>	<u>\$ 1,030,606</u>	<u>\$ 1,020,025</u>	<u>\$ (10,581)</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL - CONTINUED

Year Ended December 31, 2012

Economic Development Programs Fund

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variances with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Interest	\$ 53,979	\$ 53,979	\$ 68,883	\$ 14,904
Other revenue	<u>10,358</u>	<u>10,358</u>	<u>-</u>	<u>(10,358)</u>
<b>TOTAL REVENUES</b>	64,337	64,337	68,883	4,546
<b>EXPENDITURES</b>				
Current				
Community and economic development	<u>107,426</u>	<u>198,243</u>	<u>-</u>	<u>198,243</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(43,089)	(133,906)	68,883	202,789
<b>OTHER FINANCING (USES)</b>				
Transfers out	<u>-</u>	<u>(500,000)</u>	<u>(2,535)</u>	<u>497,465</u>
<b>NET CHANGE IN FUND BALANCE</b>	(43,089)	(633,906)	66,348	700,254
Fund balance, beginning of year	<u>3,917,364</u>	<u>3,917,364</u>	<u>3,917,364</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ 3,874,275</u></u>	<u><u>\$ 3,283,458</u></u>	<u><u>\$ 3,983,712</u></u>	<u><u>\$ 700,254</u></u>

City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL - CONTINUED

Year Ended December 31, 2012

Grants and Donations

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 925,963	\$ 4,823,086	\$ 4,356,876	\$ (466,210)
Charges for services	-	-	125,295	125,295
Interest	-	-	264	264
Net investment earnings	-	-	2,606	2,606
Other	-	42,432	160,723	118,291
<b>TOTAL REVENUES</b>	<b>925,963</b>	<b>4,865,518</b>	<b>4,645,764</b>	<b>(219,754)</b>
<b>EXPENDITURES</b>				
Current				
Public safety	732,704	1,146,469	1,049,400	97,069
Community and economic development	193,259	3,587,037	3,446,460	140,577
Parks and recreation	-	216,052	261,790	(45,738)
<b>TOTAL EXPENDITURES</b>	<b>925,963</b>	<b>4,949,558</b>	<b>4,757,650</b>	<b>191,908</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>-0-</b>	<b>(84,040)</b>	<b>(111,886)</b>	<b>(27,846)</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	94,034	94,034	-0-
<b>NET CHANGE IN FUND BALANCE</b>	<b>-0-</b>	<b>9,994</b>	<b>(17,852)</b>	<b>(27,846)</b>
Fund balance, beginning of year	287,813	287,813	287,813	-0-
Fund balance, end of year	<u>\$ 287,813</u>	<u>\$ 297,807</u>	<u>\$ 269,961</u>	<u>\$ (27,846)</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL - CONTINUED

Year Ended December 31, 2012

Drug Enforcement Fund

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variances with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Intergovernmental	\$ 25,000	\$ 25,000	\$ 12,684	\$ (12,316)
Charges for services	-	-	22,054	22,054
Fines and forfeitures	225,000	225,000	253,594	28,594
Interest	5,000	5,000	1,281	(3,719)
Other	30,000	30,000	31,935	1,935
<b>TOTAL REVENUES</b>	<b>285,000</b>	<b>285,000</b>	<b>321,548</b>	<b>36,548</b>
<b>EXPENDITURES</b>				
Current				
Public safety	428,363	428,363	356,819	71,544
<b>NET CHANGE IN FUND BALANCE</b>	<b>(143,363)</b>	<b>(143,363)</b>	<b>(35,271)</b>	<b>108,092</b>
Fund balance, beginning of year	1,024,443	1,024,443	1,024,443	-0-
Fund balance, end of year	<u>\$ 881,080</u>	<u>\$ 881,080</u>	<u>\$ 989,172</u>	<u>\$ 108,092</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL - CONCLUDED

Year Ended December 31, 2012

Public Safety Contracts Fund

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variances with Final Budget Positive (Negative)</u>
REVENUES				
Charges for services	\$ 461,342	\$ 461,342	\$ 422,664	\$ (38,678)
EXPENDITURES				
Current				
Public safety	<u>461,342</u>	<u>461,342</u>	<u>422,664</u>	<u>38,678</u>
NET CHANGE IN FUND BALANCE	-0-	-0-	-0-	-0-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>

## NONMAJOR DEBT SERVICE FUNDS

**Special Assessments** - The Special Assessments Fund is used to account for the debt service activity of the Special Assessments bond issue. Financing is provided through the collection of special assessments from benefiting property owners.

**Michigan Transportation Fund** - The Michigan Transportation Fund is used to account for the debt service activity of the Michigan Transportation Fund bond issues. Financing is provided by transfers from the Major and Local Streets Special Revenue Funds.

**General Debt Service** - The General Debt Service Fund is used to account for the debt service activity of City's installment obligations. Financing is provided through transfers from other funds and facility rentals.

City of Kalamazoo

Nonmajor Debt Service Funds

COMBINING BALANCE SHEET

December 31, 2012

	Special Assessments	Michigan Transportation Fund	General Debt Service	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 31,605	\$ 1,175	\$ -	\$ 32,780
Receivables				
Accounts	2,259	-	-	2,259
Special assessments	394	-	-	394
Advances to other governmental units	-	-	175,000	175,000
	<u>34,258</u>	<u>1,175</u>	<u>175,000</u>	<u>210,433</u>
<b>TOTAL ASSETS</b>	<b>\$ 34,258</b>	<b>\$ 1,175</b>	<b>\$ 175,000</b>	<b>\$ 210,433</b>
<b>LIABILITIES</b>				
Due to other funds	\$ 316	\$ -	\$ -	\$ 316
Deferred revenue	2,653	-	-	2,653
	<u>2,969</u>	<u>-0-</u>	<u>-0-</u>	<u>2,969</u>
<b>TOTAL LIABILITIES</b>	<b>2,969</b>	<b>-0-</b>	<b>-0-</b>	<b>2,969</b>
<b>FUND BALANCES</b>				
Nonspendable	-	-	175,000	175,000
Restricted	31,289	1,175	-	32,464
	<u>31,289</u>	<u>1,175</u>	<u>175,000</u>	<u>207,464</u>
<b>TOTAL FUND BALANCES</b>	<b>31,289</b>	<b>1,175</b>	<b>175,000</b>	<b>207,464</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 34,258</b>	<b>\$ 1,175</b>	<b>\$ 175,000</b>	<b>\$ 210,433</b>

City of Kalamazoo

Nonmajor Debt Service Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2012

	Special Assessments	Michigan Transportation Fund	General Debt Service	Total
<b>REVENUES</b>				
Interest	\$ 81	\$ -	\$ -	\$ 81
Other	4,122	-	-	4,122
<b>TOTAL REVENUES</b>	4,203	-0-	-0-	4,203
<b>EXPENDITURES</b>				
Debt service				
Principal	50,000	1,310,000	1,665,000	3,025,000
Interest and fiscal charges	5,601	223,545	740,234	969,380
<b>TOTAL EXPENDITURES</b>	55,601	1,533,545	2,405,234	3,994,380
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	(51,398)	(1,533,545)	(2,405,234)	(3,990,177)
<b>OTHER FINANCING SOURCES</b>				
Issuance of debt	-	-	175,000	175,000
Transfers in	52,493	1,534,720	2,405,234	3,992,447
<b>TOTAL OTHER FINANCING SOURCES</b>	52,493	1,534,720	2,580,234	4,167,447
<b>NET CHANGE IN FUND BALANCES</b>	1,095	1,175	175,000	177,270
Fund balances, beginning of year	30,194	-	-	30,194
Fund balances, end of year	<u>\$ 31,289</u>	<u>\$ 1,175</u>	<u>\$ 175,000</u>	<u>\$ 207,464</u>

## NONMAJOR CAPITAL PROJECTS FUNDS

**Cork Street Landfill Cap Construction** - The Cork Street Landfill Cap Construction Fund accounts for earmarked revenue set aside for post closure care and monitoring costs associated with the Cork Street Landfill. Revenue sources from prior years included transfers from other funds and contributions from outside parties identified as potentially responsible parties.

**Capital Improvements Projects** - The Capital Improvements Projects Fund accounts for earmarked revenue set aside for public improvements of a major nature. Revenue sources include General Fund transfers, grants from other units of government, private contributions and bond proceeds.

**Building Authority Justice Facilities** - The Building Authority Justice Facilities Fund accounts for earmarked revenue set aside for public improvements associated with justice facilities.

City of Kalamazoo

Nonmajor Capital Projects Funds

COMBINING BALANCE SHEET

December 31, 2012

	Cork Street Landfill Cap Construction	Capital Improvement Projects	Building Authority Justice Facilities	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 409,032	\$ 15	\$ 409,047
Cash and cash equivalents - restricted	2,057,058	1,211,600	-	3,268,658
Receivables				
Accounts	59,973	29,759	-	89,732
Notes	-	100,000	-	100,000
Due from other funds	-	206,938	-	206,938
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,117,031</u></u>	<u><u>\$ 1,957,329</u></u>	<u><u>\$ 15</u></u>	<u><u>\$ 4,074,375</u></u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 98,721	\$ -	\$ 98,721
Due to other funds	1,273,378	464,534	-	1,737,912
Deposits payable	744,739	-	-	744,739
Deferred revenue	-	48,242	-	48,242
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	2,018,117	611,497	-0-	2,629,614
<b>FUND BALANCES</b>				
Nonspendable	-	100,000	-	100,000
Committed	98,914	1,245,832	15	1,344,761
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL FUND BALANCES</b>	<u>98,914</u>	<u>1,345,832</u>	<u>15</u>	<u>1,444,761</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 2,117,031</u></u>	<u><u>\$ 1,957,329</u></u>	<u><u>\$ 15</u></u>	<u><u>\$ 4,074,375</u></u>

City of Kalamazoo

Nonmajor Capital Projects Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2012

	Cork Street Landfill Cap Construction	Capital Improvement Projects	Building Authority Justice Facilities	Total
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 484,343	\$ -	\$ 484,343
Interest	-	4,073	15	4,088
Other	-	1,087,249	-	1,087,249
<b>TOTAL REVENUES</b>	<b>-0-</b>	<b>1,575,665</b>	<b>15</b>	<b>1,575,680</b>
<b>EXPENDITURES</b>				
Capital outlay	1,461	1,336,925	-	1,338,386
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,461)</b>	<b>238,740</b>	<b>15</b>	<b>237,294</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	-	1,220,000	-	1,220,000
Bond premium	-	19,850	-	19,850
Transfers in	-	2,450,701	-	2,450,701
Transfers out	-	(3,138,169)	(25,115)	(3,163,284)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-0-</b>	<b>552,382</b>	<b>(25,115)</b>	<b>527,267</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,461)</b>	<b>791,122</b>	<b>(25,100)</b>	<b>764,561</b>
Fund balances, beginning of year	100,375	554,710	25,115	680,200
Fund balances, end of year	\$ 98,914	\$ 1,345,832	\$ 15	\$ 1,444,761

## NONMAJOR PERMANENT FUNDS

**Cemetery Perpetual Care** - The Cemetery Perpetual Care Fund accounts for money held in trust for the perpetual care of graves in the City cemeteries. Revenues consist of interest earnings from the investments, gain on sale of investments, and charges for services.

**Recreation Endowment** - The Recreation Endowment Fund accounts for monies accumulated for the eventual endowment of recreation activities. Revenues consist of donations and interest earnings of the endowment fund.

**Parks Endowment** - The Parks Endowment Fund accounts for monies accumulated for the eventual endowment of park activities. Revenues consist of donations and interest earnings of the endowment fund.

City of Kalamazoo

Nonmajor Permanent Funds

COMBINING BALANCE SHEET

December 31, 2012

	Cemetery Perpetual Care	Recreation Endowment	Parks Endowment	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 167,486	\$ -	\$ -	\$ 167,486
Investments	3,605,219	-	-	3,605,219
Investments with agents	-	1,298,368	1,122,610	2,420,978
<b>TOTAL ASSETS</b>	<b><u>\$ 3,772,705</u></b>	<b><u>\$ 1,298,368</u></b>	<b><u>\$ 1,122,610</u></b>	<b><u>\$ 6,193,683</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ 5,000	\$ -	\$ -	\$ 5,000
Contract payable	3,490	-	-	3,490
<b>TOTAL LIABILITIES</b>	<b>8,490</b>	<b>-0-</b>	<b>-0-</b>	<b>8,490</b>
<b>FUND BALANCES</b>				
Nonspendable	1,735,160	937,206	955,198	3,627,564
Restricted	2,029,055	361,162	167,412	2,557,629
<b>TOTAL FUND BALANCES</b>	<b><u>3,764,215</u></b>	<b><u>1,298,368</u></b>	<b><u>1,122,610</u></b>	<b><u>6,185,193</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 3,772,705</u></b>	<b><u>\$ 1,298,368</u></b>	<b><u>\$ 1,122,610</u></b>	<b><u>\$ 6,193,683</u></b>

City of Kalamazoo

Nonmajor Permanent Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2012

	Cemetery Perpetual Care	Recreation Endowment	Parks Endowment	Total
<b>REVENUES</b>				
Charges for services	\$ 27,274	\$ -	\$ -	\$ 27,274
Interest and dividends	178,980	-	-	178,980
Net investment earnings	369,105	168,788	148,242	686,135
Other	-	1,858	-	1,858
<b>TOTAL REVENUES</b>	<b>575,359</b>	<b>170,646</b>	<b>148,242</b>	<b>894,247</b>
<b>EXPENDITURES</b>				
Current				
General government	21,600	-	-	21,600
Parks and recreation	-	5,626	25,625	31,251
<b>TOTAL EXPENDITURES</b>	<b>21,600</b>	<b>5,626</b>	<b>25,625</b>	<b>52,851</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>553,759</b>	<b>165,020</b>	<b>122,617</b>	<b>841,396</b>
<b>OTHER FINANCING (USES)</b>				
Transfers out	(287,574)	-	-	(287,574)
<b>NET CHANGE IN FUND BALANCES</b>	<b>266,185</b>	<b>165,020</b>	<b>122,617</b>	<b>553,822</b>
Fund balances, beginning of year	3,498,030	1,133,348	999,993	5,631,371
Fund balances, end of year	<u>\$ 3,764,215</u>	<u>\$ 1,298,368</u>	<u>\$ 1,122,610</u>	<u>\$ 6,185,193</u>

## **AGENCY FUND**

**Tax Collector's** - The Tax Collector's Fund accounts for tax collections which are held by the City in an agency capacity. The collections are then transferred to the City General Fund and to other governmental units on a timely distribution basis.

City of Kalamazoo

Agency Fund

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended December 31, 2012

Tax Collector's Fund

	<u>Balance</u> <u>January 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31, 2012</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,909,494	\$ 81,716,287	\$ 85,565,535	\$ 7,060,246
Taxes receivable	33,938,195	59,993,769	62,638,962	31,293,002
Other receivables	161,058	2,732	163,686	104
	<u>161,058</u>	<u>2,732</u>	<u>163,686</u>	<u>104</u>
<b>TOTAL ASSETS</b>	<u>\$ 45,008,747</u>	<u>\$ 141,712,788</u>	<u>\$ 148,368,183</u>	<u>\$ 38,353,352</u>
<b>LIABILITIES</b>				
Due to individuals and agencies	\$ 1,693,410	\$ 32,147,801	\$ 33,840,002	\$ 1,209
Due to other governmental units	43,315,337	65,594,980	70,558,174	38,352,143
	<u>43,315,337</u>	<u>65,594,980</u>	<u>70,558,174</u>	<u>38,352,143</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 45,008,747</u>	<u>\$ 97,742,781</u>	<u>\$ 104,398,176</u>	<u>\$ 38,353,352</u>

City of Kalamazoo

Component Unit Fund

BALANCE SHEET - BROWNFIELD REDEVELOPMENT AUTHORITY

December 31, 2012

	<u>General</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,347,753
Investments	625,821
Receivables	
Accounts	244,972
Notes	781,797
Due from other governmental units	<u>7,138</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,007,481</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 185,571
Due to other governmental units	214,029
Advance from other governmental units	751,797
Deferred revenue	<u>49,574</u>
<b>TOTAL LIABILITIES</b>	1,200,971
<b>FUND BALANCE</b>	
Nonspendable	30,000
Committed	68,317
Unassigned	<u>1,708,193</u>
<b>TOTAL FUND BALANCE</b>	<u>1,806,510</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 3,007,481</u></u>

City of Kalamazoo

Component Unit Fund

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT  
OF NET POSITION - BROWNFIELD REDEVELOPMENT AUTHORITY

December 31, 2012

**Total fund balance - governmental fund** \$ 1,806,510

Amounts reported for governmental activities in the statement of net position are different because:

Long-term receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds. These consist of:

Deferred revenue 49,574

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.

Long-term liabilities at year-end consist of:

Compensated absences (12,009)

**Net position of governmental activities** \$ 1,844,075

City of Kalamazoo

Component Unit Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BROWNFIELD REDEVELOPMENT AUTHORITY

Year Ended December 31, 2012

	<u>General</u>
REVENUES	
Taxes	\$ 831,968
Intergovernmental	180,100
Interest	3,204
Other	<u>21,974</u>
TOTAL REVENUES	1,037,246
EXPENDITURES	
Current	
Community and economic development	<u>1,455,118</u>
NET CHANGE IN FUND BALANCE	(417,872)
Fund balance, beginning of year	<u>2,224,382</u>
Fund balance, end of year	<u><u>\$ 1,806,510</u></u>

City of Kalamazoo

Component Unit Fund

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO  
THE STATEMENT OF ACTIVITIES - BROWNFIELD REDEVELOPMENT AUTHORITY

Year Ended December 31, 2012

**Net change in fund balance - governmental fund** \$ (417,872)

Amounts reported for governmental activities in the statement of activities are different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund. In the current period, these amounts consist of:

Change in deferred revenue 491

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund. These activities consist of:

Change in compensated absences (78)

**Change in net position of governmental activities** \$ (417,459)

City of Kalamazoo

Component Unit Fund

BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

December 31, 2012

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 330,278
Accounts receivable	<u>56,246</u>
TOTAL ASSETS	<u>\$ 386,524</u>
LIABILITIES	
Due to other governmental units	\$ 113,266
Advance from other governmental units	946,528
Deferred revenue	<u>8,346</u>
TOTAL LIABILITIES	1,068,140
FUND BALANCE (DEFICIT)	
Unassigned	<u>(681,616)</u>
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	<u>\$ 386,524</u>

City of Kalamazoo

Component Unit Fund

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT  
OF NET POSITION - LOCAL DEVELOPMENT FINANCE AUTHORITY

December 31, 2012

**Total fund balance (deficit) - governmental fund** \$ (681,616)

Amounts reported for governmental activities in the statement of net position are different because:

Long-term receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds. These consist of:

Deferred revenue 8,346

**Net position of governmental activities** \$ (673,270)

City of Kalamazoo

Component Unit Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - LOCAL DEVELOPMENT FINANCE AUTHORITY

Year Ended December 31, 2012

	<u>General</u>
REVENUES	
Taxes	\$ 487,229
EXPENDITURES	
Current	
Community and economic development	<u>380,320</u>
NET CHANGE IN FUND BALANCE	106,909
Fund (deficit), beginning of year	<u>(788,525)</u>
Fund (deficit), end of year	<u><u>\$ (681,616)</u></u>

City of Kalamazoo

Component Unit Fund

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO  
THE STATEMENT OF ACTIVITIES - LOCAL DEVELOPMENT FINANCE AUTHORITY

Year Ended December 31, 2012

**Net change in fund balance - governmental fund** \$ 106,909

Amounts reported for governmental activities in the statement of activities are different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund. In the current period, these amounts consist of:

Change in deferred revenue (634)

**Change in net position of governmental activities** \$ 106,275

## STATISTICAL SECTION

This part of the City of Kalamazoo's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends	93-102
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	103-106
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity	107-113
<i>These schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	114-115
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	116-122
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	
Supplementary Schedules	123-156

## NET POSITION BY COMPONENT

2003-2012  
(unaudited)  
(accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities				
Net investment in capital assets	\$ 107,634,804	\$ 107,099,832	\$ 105,799,049	\$ 109,408,557
Restricted	13,611,731	11,360,665	30,173,266	28,757,898
Unrestricted	<u>19,450,183</u>	<u>22,618,398</u>	<u>13,089,868</u>	<u>18,356,265</u>
Total governmental activities net position	<u>\$ 140,696,718</u>	<u>\$ 141,078,895</u>	<u>\$ 149,062,183</u>	<u>\$ 156,522,720</u>
Business-type activities				
Net investment in capital assets	\$ 147,019,802	\$ 145,705,440	\$ 148,221,106	\$ 152,082,594
Restricted	12,521,283	15,616,902	14,823,500	11,618,293
Unrestricted	<u>11,151,951</u>	<u>12,307,683</u>	<u>12,425,961</u>	<u>13,279,738</u>
Total business-type activities net position	<u>\$ 170,693,036</u>	<u>\$ 173,630,025</u>	<u>\$ 175,470,567</u>	<u>\$ 176,980,625</u>
Primary government				
Net investment in capital assets	\$ 254,654,606	\$ 252,805,272	\$ 254,020,155	\$ 261,491,151
Restricted	26,133,014	26,977,567	44,996,766	40,376,191
Unrestricted	<u>30,602,134</u>	<u>34,926,081</u>	<u>25,515,829</u>	<u>31,636,003</u>
Total primary government net position	<u>\$ 311,389,754</u>	<u>\$ 314,708,920</u>	<u>\$ 324,532,750</u>	<u>\$ 333,503,345</u>

Table 1

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 114,330,019	\$ 117,057,211	\$ 116,294,415	\$ 123,355,990	\$ 125,529,739	\$ 122,960,589
30,795,758	26,784,242	12,721,683	12,050,021	11,045,791	13,946,502
15,674,572	6,069,437	13,197,414	(8,666,188)	(22,606,617)	(35,131,160)
<u>\$ 160,800,349</u>	<u>\$ 149,910,890</u>	<u>\$ 142,213,512</u>	<u>\$ 126,739,823</u>	<u>\$ 113,968,913</u>	<u>\$ 101,775,931</u>
\$ 154,384,778	\$ 154,535,045	\$ 143,501,852	\$ 150,485,254	\$ 152,806,937	\$ 149,416,222
10,915,639	-	2,577,935	2,577,960	2,524,960	2,831,960
9,931,524	21,785,289	26,067,765	18,046,633	7,408,224	11,411,854
<u>\$ 175,231,941</u>	<u>\$ 176,320,334</u>	<u>\$ 172,147,552</u>	<u>\$ 171,109,847</u>	<u>\$ 162,740,121</u>	<u>\$ 163,660,036</u>
\$ 268,714,797	\$ 271,592,256	\$ 259,796,267	\$ 273,841,244	\$ 278,336,676	\$ 272,376,811
41,711,397	26,784,242	15,299,618	14,627,981	13,570,751	16,778,462
25,606,096	27,854,726	39,265,179	9,380,445	(15,198,393)	(23,719,306)
<u>\$ 336,032,290</u>	<u>\$ 326,231,224</u>	<u>\$ 314,361,064</u>	<u>\$ 297,849,670</u>	<u>\$ 276,709,034</u>	<u>\$ 265,435,967</u>

## CHANGES IN NET POSITION

2003-2012  
(unaudited)  
(accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Expenses</b>				
Governmental activities:				
General government	\$ 6,275,945	\$ 5,354,674	\$ 5,307,982	\$ 6,491,807
Public safety	31,128,037	32,320,014	30,897,982	29,898,894
Public works	13,264,603	13,124,011	12,617,824	11,891,558
Community and economic development	6,635,385	8,658,751	7,266,137	5,578,544
Recreation and culture	2,749,218	2,709,819	2,488,294	2,749,809
Interest on long-term debt	<u>2,489,721</u>	<u>2,582,855</u>	<u>3,119,829</u>	<u>3,091,454</u>
Total governmental activities expenses	<u>62,542,909</u>	<u>64,750,124</u>	<u>61,698,048</u>	<u>59,702,066</u>
Business-type activities:				
Wastewater	20,109,707	19,904,896	20,770,198	20,370,767
Water	10,982,741	10,936,547	11,392,060	11,875,242
Other	<u>192,711</u>	<u>195,459</u>	<u>1,119,540</u>	<u>40,649</u>
Total business-type activities expenses	<u>31,285,159</u>	<u>31,036,902</u>	<u>33,281,798</u>	<u>32,286,658</u>
Total primary government expenses	<u>\$ 93,828,068</u>	<u>\$ 95,787,026</u>	<u>\$ 94,979,846</u>	<u>\$ 91,988,724</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services				
General government	\$ 2,598,972	\$ 2,746,278	\$ 2,507,300	\$ 2,988,396
Community development and planning	1,574,513	1,560,806	2,985,821	1,166,367
Other	1,008,671	1,012,056	1,003,322	1,085,864
Operating grants and contributions	15,874,688	16,811,523	18,002,937	13,439,433
Capital grants and contributions	<u>90,690</u>	<u>532,334</u>	<u>479,577</u>	<u>393,565</u>
Total governmental activities program revenues	<u>21,147,534</u>	<u>22,662,997</u>	<u>24,978,957</u>	<u>19,073,625</u>
Business-type activities:				
Charges for services				
Wastewater	19,582,578	19,266,485	18,424,157	17,996,945
Water	8,010,662	8,284,199	8,914,883	10,933,129
Other	115,912	136,499	32,560	45,611
Operating grants and contributions	327,609	236,315	1,422,097	1,010,733
Capital grants and contributions	<u>5,717,560</u>	<u>5,674,667</u>	<u>6,316,121</u>	<u>3,618,003</u>
Total business-type activities program revenues	<u>33,754,321</u>	<u>33,598,165</u>	<u>35,109,818</u>	<u>33,604,421</u>
Total primary government program revenues	<u>\$ 54,901,855</u>	<u>\$ 56,261,162</u>	<u>\$ 60,088,775</u>	<u>\$ 52,678,046</u>
Net (Expense) Revenue				
Governmental activities	\$(41,395,375)	\$(42,087,127)	\$(36,719,091)	\$(40,628,441)
Business-type activities	<u>2,469,162</u>	<u>2,561,263</u>	<u>1,828,020</u>	<u>1,317,763</u>
Total primary government net expense	<u>\$ (38,926,213)</u>	<u>\$ (39,525,864)</u>	<u>\$ (34,891,071)</u>	<u>\$ (39,310,678)</u>

Table 2

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 3,370,219	\$ 11,449,623	\$ 8,805,148	\$ 9,371,185	\$ 8,471,082	\$ 10,168,516
31,437,072	37,207,556	43,098,269	43,495,846	45,215,879	36,120,760
19,369,127	17,285,103	13,479,086	13,814,938	20,094,540	16,862,523
5,685,485	7,505,930	6,430,431	8,746,176	15,666,823	8,667,696
3,093,331	2,099,090	2,554,547	3,223,463	3,182,766	2,781,196
2,986,121	2,957,164	2,792,089	2,672,721	2,717,822	2,378,583
<u>65,941,355</u>	<u>78,504,466</u>	<u>77,159,570</u>	<u>81,324,329</u>	<u>95,348,912</u>	<u>76,979,274</u>
20,240,292	20,584,823	22,079,492	22,825,084	23,435,464	21,769,136
13,819,287	14,686,137	13,944,668	14,946,226	15,415,808	14,525,327
44,672	49,291	48,805	44,230	135,204	67,778
<u>34,104,251</u>	<u>35,320,251</u>	<u>36,072,965</u>	<u>37,815,540</u>	<u>38,986,476</u>	<u>36,362,241</u>
<u>\$ 100,045,606</u>	<u>\$ 113,824,717</u>	<u>\$ 113,232,535</u>	<u>\$ 119,139,869</u>	<u>\$ 134,335,388</u>	<u>\$ 113,341,515</u>
\$ 2,797,940	\$ -	\$ 5,094,411	\$ 4,731,626	\$ 11,900,982	\$ 10,614,076
1,748,885	-	642,866	246,453	1,240,353	1,069,568
1,310,053	-	616,485	733,970	1,023,442	975,170
15,685,545	12,966,562	12,915,313	15,255,631	20,982,518	15,765,684
661,968	151,241	21,686	868,221	1,163,643	655,181
<u>22,204,391</u>	<u>13,117,803</u>	<u>19,290,761</u>	<u>21,835,901</u>	<u>36,310,938</u>	<u>29,079,679</u>
15,941,791	21,201,437	18,220,534	19,085,813	18,178,855	20,484,471
11,774,026	11,604,749	11,922,529	12,759,940	12,451,401	14,583,205
45,071	50,244	52,059	58,832	67,287	91,621
962,170	451,421	-	-	238,233	266,929
3,965,417	2,959,418	2,599,746	4,001,255	3,308,895	1,733,898
<u>32,688,475</u>	<u>36,267,269</u>	<u>32,794,868</u>	<u>35,905,840</u>	<u>34,244,671</u>	<u>37,160,124</u>
<u>\$ 54,892,866</u>	<u>\$ 49,385,072</u>	<u>\$ 52,085,629</u>	<u>\$ 57,741,741</u>	<u>\$ 70,555,609</u>	<u>\$ 66,239,803</u>
\$ (43,736,964)	\$ (65,386,663)	\$ (57,868,809)	\$ (59,488,428)	\$ (59,037,974)	\$ (47,899,595)
(1,415,776)	947,018	(3,278,097)	(1,909,700)	(4,741,805)	797,883
<u>\$ (45,152,740)</u>	<u>\$ (64,439,645)</u>	<u>\$ (61,146,906)</u>	<u>\$ (61,398,128)</u>	<u>\$ (63,779,779)</u>	<u>\$ (47,101,712)</u>

## CHANGES IN NET POSITION - CONCLUDED

2003-2012  
(unaudited)  
(accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
General revenues				
Property taxes	\$ 30,937,165	\$ 31,803,955	\$ 33,066,650	\$ 35,148,859
Grants and contributions not restricted to specific programs	11,436,571	10,499,478	10,461,886	10,967,559
Unrestricted investment earnings	488,519	513,444	1,119,704	1,757,763
Gain on sale of assets	80,533	27,753	-	-
Contributions to permanent funds	55,275	35,020	54,139	44,577
Other	-	-	-	-
Transfers - internal activities	<u>(32,000)</u>	<u>(319,342)</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>42,966,063</u>	<u>42,560,308</u>	<u>44,702,379</u>	<u>47,918,758</u>
Business-type activities:				
Grants and contributions not restricted to specific programs	5,035	29,593	(8,646)	8,645
Unrestricted investment earnings	15,276	15,085	16,454	36,799
Gain on sale of assets	14,912	11,706	4,714	146,851
Other	-	-	-	-
Transfers - internal activities	32,000	319,342	-	-
Special item - loss on sale of capital assets/inventory	<u>(4,218,681)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>(4,151,458)</u>	<u>375,726</u>	<u>12,522</u>	<u>192,295</u>
Total primary government	<u>\$ 38,814,605</u>	<u>\$ 42,936,034</u>	<u>\$ 44,714,901</u>	<u>\$ 48,111,053</u>
<b>Change in Net Position</b>				
Governmental activities	\$ 1,570,688	\$ 473,181	\$ 7,983,288	\$ 7,290,317
Business-type activities	<u>(1,682,296)</u>	<u>2,936,989</u>	<u>1,840,542</u>	<u>1,510,058</u>
Total primary government	<u>\$ (111,608)</u>	<u>\$ 3,410,170</u>	<u>\$ 9,823,830</u>	<u>\$ 8,800,375</u>

Table 2

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 35,263,246	\$ 36,221,234	\$ 36,421,813	\$ 34,292,608	\$ 33,313,845	\$ 30,457,012
10,243,913	10,548,626	8,968,211	8,669,650	8,063,444	7,939,441
2,038,489	1,382,472	1,999,482	1,411,281	206,017	1,285,649
-	-	-	-	6,270	-
36,458	34,800	-	-	-	-
-	-	60,947	304,588	900,135	824,508
<u>432,487</u>	<u>(97,939)</u>	<u>(455,622)</u>	<u>(663,388)</u>	<u>3,777,353</u>	<u>-</u>
<u>48,014,593</u>	<u>48,089,193</u>	<u>46,994,831</u>	<u>44,014,739</u>	<u>46,267,064</u>	<u>40,506,610</u>
7,390	1,326	-	-	-	-
41,592	3,590	165,786	28,161	32,163	41,803
50,597	38,520	41,767	7,418	6,346	4,450
-	-	572,923	173,028	110,923	75,779
(432,487)	97,939	455,622	663,388	(3,777,353)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(332,908)</u>	<u>141,375</u>	<u>1,236,098</u>	<u>871,995</u>	<u>(3,627,921)</u>	<u>122,032</u>
<u>\$ 47,681,685</u>	<u>\$ 48,230,568</u>	<u>\$ 48,230,929</u>	<u>\$ 44,886,734</u>	<u>\$ 42,639,143</u>	<u>\$ 40,628,642</u>
\$ 4,277,629	\$ (17,297,470)	\$ (10,873,978)	\$ (15,473,689)	\$ (12,770,910)	\$ (7,392,985)
<u>(1,748,684)</u>	<u>1,088,393</u>	<u>(2,041,999)</u>	<u>(1,037,705)</u>	<u>(8,369,726)</u>	<u>919,915</u>
<u>\$ 2,528,945</u>	<u>\$ (16,209,077)</u>	<u>\$ (12,915,977)</u>	<u>\$ (16,511,394)</u>	<u>\$ (21,140,636)</u>	<u>\$ (6,473,070)</u>

## FUND BALANCES

## GOVERNMENTAL FUNDS

2003-2012  
(unaudited)  
(modified accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General fund					
Reserved	\$ 243,823	\$ 117,087	\$ 584,441	\$ 600,835	\$ 673,046
Unreserved	4,091,213	2,053,381	2,772,957	5,554,688	4,617,629
Nonspendable	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total general fund	<u>\$ 4,335,036</u>	<u>\$ 2,170,468</u>	<u>\$ 3,357,398</u>	<u>\$ 6,155,523</u>	<u>\$ 5,290,675</u>
All other governmental funds					
Reserved	\$ 7,613,117	\$ 8,864,237	\$ 11,659,071	\$ 9,177,854	\$ 12,935,798
Unreserved, reported in:					
Special revenue funds	5,335,006	9,100,034	3,714,325	4,006,455	4,141,477
Debt service funds	206,447	175,966	407,306	248,595	210,130
Capital project funds	2,661,899	5,743,562	5,152,200	7,897,735	3,751,120
Permanent funds	1,693,125	2,189,177	2,249,232	2,610,660	2,658,294
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Total all other governmental funds	<u>\$ 17,509,594</u>	<u>\$ 26,072,976</u>	<u>\$ 23,182,134</u>	<u>\$ 23,941,299</u>	<u>\$ 23,696,819</u>

Table 3

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 756,760	\$ 504,595	\$ 504,164	\$ -	\$ -
3,461,861	4,740,113	3,881,019	-	-
-	-	-	730,673	626,548
-	-	-	3,504,897	3,503,397
-	-	-	5,325,787	3,557,092
<u>\$ 4,218,621</u>	<u>\$ 5,244,708</u>	<u>\$ 4,385,183</u>	<u>\$ 9,561,357</u>	<u>\$ 7,687,037</u>
\$ 9,410,736	\$ 10,641,923	\$ 12,011,218	\$ -	\$ -
4,241,786	4,874,600	5,028,383	-	-
124,551	127,942	91,569	-	-
3,934,958	3,847,713	1,994,543	-	-
1,195,345	1,956,373	-	-	-
-	-	-	13,522,951	8,698,303
-	-	-	7,509,890	8,419,230
-	-	-	1,660,542	2,756,697
<u>\$ 18,907,376</u>	<u>\$ 21,448,551</u>	<u>\$ 19,125,713</u>	<u>\$ 22,693,383</u>	<u>\$ 19,874,230</u>

## CHANGES IN FUND BALANCES

## GOVERNMENTAL FUNDS

2003-2012  
(unaudited)  
(modified accrual basis of accounting)

	2003	2004	2005	2006
<b>Revenues</b>				
Property taxes and special assessments	\$ 30,187,060	\$ 31,059,692	\$ 32,472,148	\$ 34,508,937
Licenses and permits	1,797,321	1,972,128	2,187,748	1,937,580
Intergovernmental revenue	21,477,998	22,951,771	22,062,498	20,120,520
Charges for services	1,009,499	1,520,621	1,362,100	1,599,259
Fines and forfeits	220,918	313,457	412,643	241,075
Interest and rents	3,181,272	3,359,644	3,953,244	4,936,149
Net investment earnings	1,188,778	662,985	293,975	660,122
Other revenue	7,110,905	6,358,129	7,076,876	7,580,521
<b>Total revenues</b>	<b>66,173,751</b>	<b>68,198,427</b>	<b>69,821,232</b>	<b>71,584,163</b>
<b>Expenditures</b>				
Current Expenditures:				
General government	9,847,867	9,703,164	9,159,839	9,543,763
Public safety	30,164,964	31,422,767	30,677,808	30,547,482
Public works	6,554,353	7,086,037	7,048,497	12,964,423
Community and economic development	6,929,342	8,918,917	7,402,139	5,692,502
Recreation and culture	2,503,219	2,824,267	2,540,006	2,587,159
Other	-	-	92,747	169,271
Debt service:				
Principal	5,149,510	5,060,999	13,754,076	5,067,709
Interest and fiscal charges	2,537,353	2,503,431	3,315,456	2,912,669
Capital outlay	9,531,293	7,790,172	18,582,210	5,125,701
<b>Total expenditures</b>	<b>73,217,901</b>	<b>75,309,754</b>	<b>92,572,778</b>	<b>74,610,679</b>
Excess (deficiency) of revenues over expenditures	(7,044,150)	(7,111,327)	(22,751,546)	(3,026,516)
Other financing sources (uses)				
Transfers in	8,190,472	9,119,874	10,466,647	10,001,607
Transfers out	(8,102,193)	(8,275,022)	(9,634,221)	(10,758,458)
Proceeds from the sale of capital assets	29,566	21,293	1,896,539	36,705
Issuance of long-term debt	1,940,000	12,735,000	18,145,000	7,110,000
Payments to advance refunding escrow agent	-	-	-	-
Bond premium (discount)	147	-	173,669	23,732
<b>Total other financing sources (uses)</b>	<b>2,057,992</b>	<b>13,601,145</b>	<b>21,047,634</b>	<b>6,413,586</b>
<b>Net change in fund balances</b>	<b>\$ (4,986,158)</b>	<b>\$ 6,489,818</b>	<b>\$ (1,703,912)</b>	<b>\$ 3,387,070</b>
Debt service as a percentage of noncapital expenditures	13.7%	12.6%	30.0%	13.0%

Table 4

2007	2008	2009	2010	2011	2012
\$ 35,199,103	\$ 35,569,119	\$ 37,997,860	\$ 35,071,496	\$ 35,163,954	\$ 32,665,097
2,077,407	1,951,085	1,770,824	1,867,123	1,897,096	1,641,248
21,082,782	20,762,621	19,150,714	22,470,227	28,241,290	22,421,096
1,417,088	1,582,665	5,289,988	5,622,676	10,318,577	9,022,197
288,650	279,435	326,755	296,200	642,680	280,426
5,310,737	4,507,507	3,989,784	3,429,583	3,304,621	3,219,392
(22,516)	(1,858,775)	1,207,786	780,472	(370,143)	688,741
7,650,248	6,696,145	1,699,387	1,668,632	1,474,703	1,902,634
<u>73,003,499</u>	<u>69,489,802</u>	<u>71,433,098</u>	<u>71,206,409</u>	<u>80,672,778</u>	<u>71,840,831</u>
9,992,094	10,767,415	7,300,485	7,169,369	7,618,751	7,255,900
33,513,942	33,718,520	34,409,853	34,804,767	35,476,959	32,805,831
13,413,733	12,038,364	11,703,326	11,981,237	16,122,984	14,588,245
5,743,272	6,921,457	5,803,640	7,763,530	14,182,010	8,562,088
2,971,644	2,820,672	2,598,348	2,806,451	2,806,756	2,359,248
50,000	-	1,184,639	2,761,908	2,560,728	3,161,774
5,206,300	4,997,000	5,245,000	5,125,000	5,510,000	5,650,000
2,930,686	2,932,497	2,796,889	2,721,982	2,757,767	2,378,365
5,692,545	5,264,042	1,869,810	2,861,401	3,408,241	1,338,386
<u>79,514,216</u>	<u>79,459,967</u>	<u>72,911,990</u>	<u>77,995,645</u>	<u>90,444,196</u>	<u>78,099,837</u>
(6,510,717)	(9,970,165)	(1,478,892)	(6,789,236)	(9,771,418)	(6,259,006)
11,474,277	8,280,263	8,772,072	10,646,777	16,291,542	11,821,576
(11,041,790)	(8,378,202)	(8,272,072)	(9,962,957)	(9,009,217)	(9,887,596)
274,136	32,020	-	-	-	-
4,715,000	4,165,000	4,585,000	2,855,000	12,910,000	4,400,000
-	-	-	-	(8,051,763)	-
<u>(20,235)</u>	<u>9,587</u>	<u>(38,846)</u>	<u>68,053</u>	<u>145,167</u>	<u>31,550</u>
<u>5,401,388</u>	<u>4,108,668</u>	<u>5,046,154</u>	<u>3,606,873</u>	<u>12,285,729</u>	<u>6,365,530</u>
<u>\$ (1,109,329)</u>	<u>\$ (5,861,497)</u>	<u>\$ 3,567,262</u>	<u>\$ (3,182,363)</u>	<u>\$ 2,514,311</u>	<u>\$ 106,524</u>
12.4%	12.0%	12.8%	11.7%	10.5%	11.7%

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Years  
(unaudited)

Year	Taxable Assessed Value (A)			Total Taxable Assessed Value (A)	Total Direct Tax Rate	Estimated Actual Value	Ratio of Total Assessed to Total Estimated Actual Value
	Real	Personal	Industrial and Commercial Subject to Act 198				
2003	\$ 1,213,441,494	\$ 244,276,534	\$ 35,442,050	\$ 1,493,160,078	21.9205	\$ 3,404,210,728	43.9%
2004	1,274,216,408	219,353,550	36,821,197	1,530,391,155	22.1405	3,546,183,600	43.2%
2005	1,330,662,249	213,784,700	33,929,243	1,578,376,192	22.1405	3,657,698,240	43.2%
2006	1,393,452,901	225,841,898	23,178,428	1,642,473,227	21.9049	3,841,553,300	42.8%
2007	1,461,657,382	224,295,550	29,964,721	1,715,917,653	21.8205	3,952,364,600	43.4%
2008	1,502,840,795	218,611,900	31,002,494	1,752,455,189	21.8205	4,016,038,212	43.6%
2009	1,484,940,414	228,339,500	34,292,423	1,747,572,337	20.8205	3,795,628,106	46.0%
2010	1,407,653,177	226,482,900	55,290,258	1,689,426,335	21.4205	3,653,847,390	46.2%
2011	1,363,745,396	225,838,500	57,115,455	1,646,699,351	21.4205	3,528,848,624	46.7%
2012	1,275,001,407	221,212,200	56,471,112	1,552,684,719	21.4205	3,224,039,828	48.2%

Source: City of Kalamazoo, Management Services Department, Assessor Division

Note: Property in the City is reassessed annually. State statute requires all taxable property to be assessed at 50% of the market value, except certain facilities which are granted exemption certificates under Act 198, Public Acts of Michigan. This Act was designed to provide a stimulus in the form of tax incentives to industrial and commercial enterprise to renovate and expand aging facilities and to build new facilities. However, Proposal A limits the increase of the taxable value to 5% or the Consumer Price Index, whichever is lower. The rates are per \$1,000 of taxable value.

(A) Taxable values include adjustments to the final adopted assessment roll due to Tax Tribunal Judgments, Board of Review decisions and other adjustments affecting the assessment roll of the tax levy as of December 31, 2012. These values do not reflect adjustments for real estate taxes cancelled through foreclosure, or personal property taxes cancelled by the Circuit Court. These adjustments decreased the 2012 roll by \$1,104,916.

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Years  
(unaudited)

Year Ended December 31,	City of Kalamazoo				Overlapping Rates						Totals	
	Operating	Refuse Collection and Disposal	Mass Transportation	Total City Millage (A)	Kalamazoo Public Schools (B)	County	State Education Tax	Kalamazoo Valley Intermediate School District	Kalamazoo Valley Community College	District Library	Non- Homestead	(C) Homestead
2003	19.2705	1.6500	1.0000	21.9205	22.2000	6.1362	5.0000	3.0416	2.8139	3.9583	65.0705	47.0705
2004	19.2705	1.8700	1.0000	22.1405	22.2000	6.1362	6.0000	3.0416	2.8135	3.9583	66.2901	48.2901
2005	19.2705	1.8700	1.0000	22.1405	22.2000	6.1362	6.0000	4.5416	2.8135	3.9583	67.7901	49.7901
2006	19.1606	1.7500	0.9943	21.9049	23.3500	6.5862	6.0000	4.5416	2.8135	3.9583	69.1545	51.1545
2007	19.2705	1.5500	1.0000	21.8205	23.3500	6.7162	6.0000	4.5416	2.8135	3.9583	69.2001	51.2001
2008	19.2705	1.5500	1.0000	21.8205	23.3500	6.3312	6.0000	4.8316	2.8135	3.9583	69.1051	51.1051
2009	19.2705	1.5500	0.0000	20.8205	23.3500	6.7212	6.0000	4.8316	2.8135	3.9583	68.4951	50.4951
2010	19.2705	1.5500	0.6000	21.4205	23.3500	6.7412	6.0000	4.8566	2.8135	3.9583	69.1401	51.1401
2011	19.2705	1.5500	0.6000	21.4205	23.3500	6.7555	6.0000	4.8616	2.8135	3.9583	69.1594	51.1594
2012	19.2705	1.5500	0.6000	21.4205	24.2500	6.7596	6.0000	4.8666	2.8135	3.9583	70.0685	52.0685

Source: City of Kalamazoo, Management Services Department, Treasury Division

Note: Overlapping rates are those of local and county governments that apply to property owners within the City of Kalamazoo. Not all overlapping rates apply to all City of Kalamazoo property owners (e.g., the rates for special districts apply only to the proportion of the city's property owners whose property is located within the geographic boundaries of the special district). Tax rates are expressed as a dollar for each \$1,000 of taxable property value.

- (A) The City's Downtown Development Authority levies an additional \$1.9638 for each \$1,000 of Taxable Value within the City's Downtown Development District.
- (B) Kalamazoo Public Schools is the largest school district within the City. Portions of other school districts overlap the City's boundaries. Of those which do, the millage rates for the fiscal year ended December 31, 2012 ranged from \$23.7000 to 25.0000 for each \$1,000 of Taxable Value. The total tax rates for property owners in these other school districts would differ accordingly.
- (C) Homestead means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or entity. Homestead also includes certain agricultural property, registered life care facilities, and property owned by a cooperative housing corporation and occupied as a Homestead.

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Ten Years Ago  
(unaudited)

Taxpayer	Industry	2012				Rank	(B) Percent of Total	2002 (C)		
		Taxable Value of Property			Rank			Taxable Assessed Value	Rank	Percent of Total
		Ad Valorem	Abated (A)	Total						
Pfizer Corporation	Pharmaceuticals	\$ 74,391,633	\$11,598,000	\$ 85,989,633	1	5.54%	\$ 138,452,000	1	9.71%	
Graphic Packaging	Paper Products	33,567,372	10,639,500	44,206,872	2	2.85%	36,500,100	2	2.56%	
Consumer's Energy	Utility	34,330,218	-	34,330,218	3	2.21%	33,057,900	3	2.32%	
Catalyst Development	Real Estate	24,503,083	-	24,503,083	4	1.58%	-		0.00%	
Fabri-Kal Corporation	Plastics production, design	2,512,819	13,357,200	15,870,019	5	1.02%	-		0.00%	
James S. Smith Trust	Rental Properties	10,206,400	-	10,206,400	6	0.66%	12,184,400	4	0.85%	
Lifecare (Friendship Village)	Retirement Community	10,206,282	-	10,206,282	7	0.66%	8,917,550	8	0.63%	
Cytec Industries	Chemical Manufacturing	6,147,500	3,129,000	9,276,500	8	0.60%	-		0.00%	
Parker Hannifin Corp	Aerospace Manufacturer	7,210,400	1,569,300	8,779,700	9	0.57%	11,908,150		0.83%	
GEM Knollwood LLC	Apartment Complex	7,600,100	-	7,600,100	10	0.49%	-		0.00%	
Former Top 10 Taxpayers	various						34,567,825	5,6,7,9,10	2.42%	
		<u>\$210,675,807</u>	<u>\$ 40,293,000</u>	<u>\$ 250,968,807</u>		<u>16.18%</u>	<u>\$ 275,587,925</u>		<u>19.32%</u>	

Source: City of Kalamazoo, Management Services Department, Assessor Division

- (A) Represents equivalent taxable value of property granted tax abatement under Acts 198.
- (B) The City's total taxable value of \$1,551,294,710 for the year ending December 31, 2012 includes the taxable value of property granted tax abatement under Act 198 and board adjustments through June 17, 2013. See Table 5 for data on taxable values.
- (C) Values are the basis for the 2002 Assessment Roll and the 2002 Tax Roll. The City's Total Taxable Valuation, including Act 198 and Act 255 values totaled \$1,426,253,380.

## PROPERTY TAX LEVIES AND COLLECTIONS

## General Property Tax Levy

Last Ten Years  
(unaudited)

Year	(A) Total Adjusted Tax Levy	Collection of Current Year's Taxes During Year Levied	Percent of Levy Collected During Year Levied	(B)		
				Collection Subsequent to the Year of Tax Levy	Percent of Total Collections to Tax Levy	
				Total Collections		
2003	\$28,170,252	\$ 24,665,670	87.56%	\$ 3,441,353	\$ 28,107,023	99.78%
2004	29,156,966	25,195,702	86.41%	3,869,141	29,064,843	99.68%
2005	30,020,529	25,828,635	86.04%	4,108,708	29,937,343	99.72%
2006	30,861,994	26,574,222	86.11%	4,205,950	30,780,172	99.73%
2007	32,254,963	27,691,394	85.85%	4,483,574	32,174,968	99.75%
2008	32,525,352	28,058,610	86.27%	4,386,287	32,444,897	99.75%
2009	33,382,726	30,786,313	92.22%	2,518,089	33,304,402	99.77%
2010	31,987,540	29,781,694	93.10%	2,141,335	31,923,029	99.80%
2011	31,186,001	29,212,109	93.67%	1,907,615	31,119,724	99.79%
2012	29,251,351	27,505,148	94.03%	-	27,505,148	94.03%

Source: City of Kalamazoo, Management Services Department, Treasury Division

(A) Reflects general operating levy only, whereas General Fund property tax revenues in the general purpose financial statements include the general levy, payments in lieu of taxes and special assessments. All total tax levies reflect adjustments for Tax Tribunal consent judgments, Board of Review decisions, real estate taxes cancelled through foreclosure and state scavenger sales, and personal property taxes cancelled by Circuit Court.

(B) Reflects collections through December 31, 2012. Data totals for tax years 2001-2008 are frozen as of December 31, 2009 due to a change in methodology for collection of these delinquent taxes. All real taxes (excluding buildings on leased land) for these years were turned over to the County of Kalamazoo for collection rather than continuing to be retained by the City for collection.

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Years  
(unaudited)

Year	Governmental Activities				Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita (B)
	General Obligation Bonds	Revenue Bonds	Installment Purchase Contracts	Special Assessment Bonds (A)	General Obligation Bonds	Revenue Bonds	Installment Purchase Contracts			
2003	\$ 35,065,000	\$ 10,120,000	\$ 1,831,084	\$ 475,000	\$ -	\$ 30,010,000	\$ 105,000	\$ 77,606,084	4.40%	\$ 1,006
2004	40,740,000	12,925,000	970,085	425,000	-	23,885,000	-	78,945,085	4.37%	1,023
2005	46,940,000	11,395,000	736,009	380,000	-	22,690,000	-	82,141,009	4.10%	1,065
2006	50,920,000	9,805,000	433,300	335,000	-	23,735,000	-	85,228,300	4.40%	1,105
2007	48,070,000	12,480,000	167,000	285,000	-	24,215,000	-	85,217,000	4.85%	1,173
2008	48,765,000	11,090,000	80,000	235,000	-	22,755,000	-	82,925,000	4.35%	1,142
2009	49,590,000	9,735,000	-	185,000	-	31,490,000	-	91,000,000	5.10%	1,250
2010	48,775,000	8,325,000	-	140,000	-	29,800,000	-	87,040,000	4.78%	1,172
2011	49,640,000	6,905,000	-	95,000	-	28,155,000	-	84,795,000	4.66%	1,142
2012	49,750,000	5,595,000	-	45,000	-	32,500,000	-	87,890,000	6.41%	1,176

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(A) Special assessment bonds were issued in 1999.

(B) See the Schedule of Demographic and Economic Statistics at Table 14 for personal income and population data.

## RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Years  
(unaudited)

Year	General Obligation Bonds	Less: Amounts Available in Debt Service Funds (A)	Total	Percentage of Estimated Actual Value of Property (B)	Per Capita (C)
2003	\$ 35,065,000	\$ 795	\$ 35,064,205	1.03%	\$ 454.52
2004	40,740,000	258	40,739,742	1.15%	528.09
2005	46,940,000	245,300	46,694,700	1.28%	605.28
2006	50,920,000	89,319	50,830,681	1.32%	658.90
2007	48,070,000	46,450	48,023,550	1.22%	661.14
2008	48,765,000	48,270	48,716,730	1.21%	670.69
2009	49,590,000	127,942	49,462,058	1.30%	679.19
2010	48,775,000	49,257	48,725,743	1.33%	656.13
2011	49,640,000	61,469	49,578,531	1.36%	667.62
2012	49,750,000	237,326	49,512,674	1.40%	662.44

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

- (A) The net assets of the special assessment debt service fund are not available to general obligation bonds and are excluded from the amounts available in debt service funds.
- (B) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property at Table 4 for property value data.
- (C) Population data can be found in the Schedule of Demographic and Economic Statistics at Table 14.

## DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

December 31, 2012  
(unaudited)**Overlapping:**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Comstock School District	\$ 7,983,000	13.07%	\$ 1,043,378
Kalamazoo School District	143,735,000	58.73%	84,415,566
Parchment School District	33,799,389	0.95%	321,094
Portage School District	119,825,000	1.58%	1,893,235
Kalamazoo County	36,751,672	19.11%	7,023,245
Kalamazoo Intermediate School District	19,725,000	20.73%	4,088,993
Kalamazoo Library District	2,000,000	55.65%	1,113,000
<b>Total overlapping debt</b>	<b><u>\$ 363,819,061</u></b>		<b><u>\$ 99,898,511</u></b>

**Direct:**

	<u>Gross Debt</u>
General obligation bonds:	
Building Authority	\$ 24,900,000
Downtown Development	2,650,000
Capital improvement	22,200,000
<b>Total direct debt</b>	<b><u>\$ 49,750,000</u></b>

**Total net direct and overlapping debt of governmental activities****\$ 149,648,511**

Sources: City of Kalamazoo, Management Services Department, Accounting Division  
Municipal Advisory Council of Michigan.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Kalamazoo. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every tax payer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

## COMPUTATION OF LEGAL DEBT MARGIN

December 31, 2012  
(unaudited)

State Equalized Value (A)	
Ad valorem property	\$ 1,496,984,718
Tax abated property	<u>49,430,562</u>
<b>Total State Equalized Value (SEV)</b>	<b><u><u>\$ 1,546,415,280</u></u></b>
Limitation per Section 5.2074 of the Home Rule Act of the State of Michigan	<u>10.0%</u>
<b>Legal Limitation</b>	<b><u><u>\$ 154,641,528</u></u></b>
Debt Obligations of the Primary Government (B)	\$ 87,890,000
Less debt not subject to limitation:	
Water System and Wastewater System Revenue Bonds	\$ (32,500,000)
Michigan Transportation Fund Bonds	(5,595,000)
Special Assessment Bonds	<u>(45,000)</u>
	<u><u>(38,140,000)</u></u>
<b>Total Debt of the City Subject to Limitation</b>	<b><u><u>\$ 49,750,000</u></u></b>
<b>LEGAL DEBT MARGIN</b>	<b><u><u>\$ 104,891,528</u></u></b>

Note: Under Michigan Home Rule Cities Act, the City of Kalamazoo's outstanding general obligation debt should not exceed 10 percent of total assessed value of all real and personal property in the city.

Significant exceptions to the debt limitation have been permitted by the Home Rule Cities Act for certain types of indebtedness which include: special assessment bonds and Michigan transportation fund bonds; revenue bonds payable from revenues only; bonds issued or contract obligations assessments incurred to comply with an order of the Water Resources Commission of the State of Michigan; obligations incurred for water supply, sewage, drainage, or refuse disposal or resource recover projects necessary to protect public health; bonds issued, assessments, or contract obligations incurred for the construction, improvement, or replacement of a combined sewer overflow abatement facility.

(A) State equalized assessed property values are assessed at December 31, 2011 for the basis of the year ending December 31, 2012 tax levy. See supplemental Schedule of State Equalized Value at Table 22 for property value data.

(B) See the Schedule of Ratios of Outstanding Debt by Type at Table 9 for the outstanding debt of the primary government.

## LEGAL DEBT MARGIN HISTORICAL INFORMATION

Last Ten Years  
(unaudited)

Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to Limit as a Percentage of Debt Limit
2003	\$ 170,336,373	\$ 36,321,084	\$ 134,015,289	21.3%
2004	176,969,170	41,415,085	135,554,085	23.4%
2005	182,904,652	47,676,009	135,228,643	26.1%
2006	191,839,442	51,535,300	140,304,142	26.9%
2007	195,978,550	48,237,000	147,741,550	24.6%
2008	198,924,061	48,845,000	150,079,061	24.6%
2009	195,978,550	49,590,000	146,388,550	25.3%
2010	178,041,985	48,775,000	129,266,985	27.4%
2011	172,045,531	49,640,000	122,405,531	28.9%
2012	154,641,528	49,750,000	104,891,528	32.2%

Source: City of Kalamazoo, Management Services Department, Accounting Division

## PLEDGED-REVENUE COVERAGE

Last Ten Years  
(unaudited)**Governmental Activities:**

<b>Michigan Transportation Revenue Bonds (A)</b>						
Year	Gas and Weight Tax Revenues (A)	Debt Service			Coverage	
		Principal	Interest	Total		
2003	\$ 5,313,674	\$ 1,455,000	\$ 502,143	\$ 1,957,143	2.72	
2004	5,568,127	1,515,000	512,153	2,027,153	2.75	
2005	5,316,925	1,530,000	529,523	2,059,523	2.58	
2006	5,278,013	1,590,000	466,840	2,056,840	2.57	
2007	5,245,597	1,185,000	400,901	1,585,901	3.31	
2008	5,017,964	1,390,000	540,732	1,930,732	2.60	
2009	4,868,269	1,355,000	445,145	1,800,145	2.70	
2010	4,880,147	1,410,000	388,805	1,798,805	2.71	
2011	4,983,054	3,425,000	337,088	3,762,088	1.32	
2012	5,104,737	1,310,000	222,420	1,532,420	3.33	

<b>Special Assessment Bonds (B)</b>						
Year	Special Assessment Collections	Debt Service			Coverage	
		Principal	Interest	Total		
2003	\$ 74,553	\$ 50,000	\$ 25,976	\$ 75,976	0.98	
2004	43,503	50,000	23,447	73,447	0.59	
2005	52,539	45,000	21,241	66,241	0.79	
2006	61,480	45,000	19,210	64,210	0.96	
2007	50,887	50,000	17,139	67,139	0.76	
2008	18,848	50,000	14,380	64,380	0.29	
2009	14,591	50,000	11,980	61,980	0.24	
2010	14,704	45,000	9,530	54,530	0.27	
2011	13,676	45,000	7,280	52,280	0.26	
2012	593	50,000	4,985	54,985	0.01	

(A) Gas and weight tax revenues are reported in the Major and Local Streets funds. Amounts required for debt service are transferred to the Michigan Transportation Bond debt service fund for payment.

(B) Special assessment bonds were issued in 1999.

PLEDGED-REVENUE COVERAGE - CONCLUDED

Last Ten Years  
(unaudited)

Business-type Activities

	Wastewater System Revenue Bonds									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues (C)										
Operating Revenues	\$ 19,595,673	\$ 19,290,851	\$ 19,277,647	\$ 18,005,527	\$ 15,949,058	\$ 21,202,678	\$ 18,302,929	\$ 19,146,754	\$ 18,207,086	\$ 20,488,376
Interest Revenue	94,249	111,789	327,282	639,428	594,163	288,958	155,562	(4,039)	20,167	30,564
Intergovernmental	-	-	-	-	-	-	-	-	50,628	50,044
<b>Total Revenues</b>	<b>19,689,922</b>	<b>19,402,640</b>	<b>19,604,929</b>	<b>18,644,955</b>	<b>16,468,896</b>	<b>17,491,460</b>	<b>20,368,388</b>	<b>20,667,651</b>	<b>18,277,881</b>	<b>20,568,984</b>
Direct Operating Expenses (D)										
Operation and Maintenance	16,031,108	15,680,701	16,397,116	16,337,479	15,896,890	15,588,587	17,932,573	18,852,129	18,947,736	17,199,488
Less:										
Payment in Lieu of Taxes	(550,685)	(553,528)	(571,607)	(586,070)	(611,381)	(627,809)	(659,336)	(649,932)	(656,772)	(680,148)
Post Employment Benefits	-	-	-	-	-	-	(1,390,123)	(1,720,948)	(1,853,618)	(768,134)
<b>Total Direct Operating Expenses</b>	<b>15,480,423</b>	<b>15,127,173</b>	<b>15,825,509</b>	<b>15,751,409</b>	<b>15,285,509</b>	<b>14,960,778</b>	<b>15,883,114</b>	<b>16,481,249</b>	<b>16,437,346</b>	<b>15,751,206</b>
<b>Net Available Revenue</b>	<b>4,209,499</b>	<b>4,275,467</b>	<b>3,779,420</b>	<b>2,893,546</b>	<b>1,183,387</b>	<b>2,530,682</b>	<b>4,485,274</b>	<b>4,186,402</b>	<b>1,840,535</b>	<b>4,817,778</b>
Debt Service										
Principal	175,000	180,000	185,000	195,000	200,000	210,000	220,000	330,000	310,000	295,000
Interest	203,680	197,993	191,783	185,123	177,810	170,010	161,610	254,199	302,267	211,699
<b>Total Debt Service</b>	<b>378,680</b>	<b>377,993</b>	<b>376,783</b>	<b>380,123</b>	<b>377,810</b>	<b>380,010</b>	<b>381,610</b>	<b>584,199</b>	<b>612,267</b>	<b>506,699</b>
<b>Coverage</b>	<b>11.12</b>	<b>11.31</b>	<b>10.03</b>	<b>7.61</b>	<b>3.13</b>	<b>6.66</b>	<b>11.75</b>	<b>7.17</b>	<b>3.01</b>	<b>9.51</b>

	Water System Revenue Bonds									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues (C)										
Operating Revenues	\$ 9,735,600	\$ 9,850,608	\$ 11,062,262	\$ 11,000,811	\$ 11,793,782	\$ 11,675,879	\$ 12,018,699	\$ 12,872,027	\$ 12,526,187	\$ 14,609,342
Interest Revenue	102,848	75,914	186,276	303,686	348,374	91,418	6,710	28,312	11,916	11,179
Intergovernmental	-	-	-	-	-	-	-	-	187,605	216,885
<b>Total Revenues</b>	<b>9,838,448</b>	<b>9,926,522</b>	<b>11,248,538</b>	<b>11,304,497</b>	<b>12,142,156</b>	<b>11,767,297</b>	<b>12,025,409</b>	<b>12,900,339</b>	<b>12,725,708</b>	<b>14,837,406</b>
Direct Operating Expenses (D)										
Operation and Maintenance	7,987,703	7,723,608	7,840,777	8,396,955	9,930,265	10,546,477	10,500,491	10,888,856	10,877,839	9,802,781
Less:										
Payment in Lieu of Taxes	(431,175)	(441,954)	(464,052)	(487,000)	(506,500)	(520,110)	(546,229)	(538,440)	(544,104)	(563,472)
Post Employment Benefits	-	-	-	-	-	-	(1,224,116)	(1,515,414)	(1,632,255)	(676,485)
<b>Total Direct Operating Expenses</b>	<b>7,556,528</b>	<b>7,281,654</b>	<b>7,376,725</b>	<b>7,909,955</b>	<b>9,423,765</b>	<b>10,026,367</b>	<b>8,730,146</b>	<b>8,835,002</b>	<b>8,701,480</b>	<b>8,562,824</b>
<b>Net Available Revenue</b>	<b>2,281,920</b>	<b>2,644,868</b>	<b>3,871,813</b>	<b>3,394,542</b>	<b>2,718,391</b>	<b>1,740,930</b>	<b>3,295,263</b>	<b>4,065,337</b>	<b>4,024,228</b>	<b>6,274,582</b>
Debt Service										
Principal	785,000	940,000	1,010,000	1,050,000	1,220,000	1,250,000	1,315,000	1,360,000	1,425,000	1,351,351
Interest	554,405	800,314	890,428	845,568	821,500	918,596	859,744	1,150,010	603,917	661,251
<b>Total Debt Service</b>	<b>1,339,405</b>	<b>1,740,314</b>	<b>1,900,428</b>	<b>1,895,568</b>	<b>2,041,500</b>	<b>2,168,596</b>	<b>2,174,744</b>	<b>2,510,010</b>	<b>2,028,917</b>	<b>2,012,602</b>
<b>Coverage</b>	<b>1.70</b>	<b>1.52</b>	<b>2.04</b>	<b>1.79</b>	<b>1.33</b>	<b>0.80</b>	<b>1.52</b>	<b>1.62</b>	<b>1.98</b>	<b>3.12</b>

Note: Detail regarding the government's outstanding debt can be found in the notes to the financial statements.

- (C) Includes charges for services, operating revenues, operating grants and subsidies, and interest earned, excluding capital grant revenues, interest earned on construction bond monies, and capital contributions.
- (D) For the purpose of computing debt service coverage, direct operating expenses exclude "non-cash elements including depreciation, amortization, and accrual of other post employment benefits. Operating expenses also exclude payment in lieu of taxes (PILOT) paid to the General Fund, which is subordinate to the payment of debt service.

## DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Years  
(unaudited)

Fiscal Year	(A) Population	(A) Per Capita Income	Personal Income	(A) Median Age	(B) School Enrollment	(C) Unemployment Rate
2003	77,145	\$ 22,856	\$ 1,763,222,108	26.1	15,859	7.6%
2004	77,145	23,422	1,806,902,687	26.1	15,019	7.9%
2005	77,145	25,943	2,001,393,040	26.1	15,285	7.2%
2006	77,145	25,089	1,935,469,721	26.1	15,800	7.1%
2007	72,637	24,180	1,756,362,892	26.1	15,150	7.2%
2008	72,637	26,241	1,906,069,914	26.2	16,688	8.6%
2009	72,825	24,517	1,785,459,351	26.2	15,851	13.4%
2010	74,262	24,517	1,820,690,455	24.7	15,598	13.9%
2011	74,262	24,517	1,820,690,455	24.7	15,964	11.3%
2012	74,743	18,348	1,371,384,564	26.2	12,216	0.0%

## Data Sources:

- (A) United States Census Bureau. Based on 2010 Census or 2011 estimates.
- (B) City of Kalamazoo, Management Services Department. Data summarized from contacting individual public and private school systems in the City.
- (C) Michigan Department of Labor and Economic Growth - Office of Labor Market Information  
See the Schedule of Employment Statistics at Table 27 for employment data.

Note: Population and median age are based on the most current available census data. Personal income information is an estimate based on the per capita income of the Kalamazoo County. Unemployment rate information is an unadjusted annual rate for the City of Kalamazoo as included in Table 27. School enrollment is based on student counts in 2010.

PRINCIPAL EMPLOYERS IN KALAMAZOO COUNTY

Current Year and Ten Years Ago  
(unaudited)

Company	Principal Product or Service	2012			2002		
		Approx. Number of Employees (A)	Rank	Percentage of Employment (B)	Approx. Number of Employees (A)	Rank	Percentage of Employment (B)
Pfizer Corporation	Pharmaceuticals	4,300	1	3.4%	6,700	1	5.0%
Bronson Healthcare Group	Health Care	3,400	2	2.7%	3,032	4	2.3%
Borgess Medical Center	Health Care	2,685	3	2.2%	3,708	2	2.8%
Western Michigan University	Education	2,657	4	2.1%	3,485	3	2.6%
Stryker Corporation	Medical Equipment	1,750	5	1.4%	900	11	0.7%
National City Bank/PNC	Banking Services	1,500	6	1.2%	1,900	7	1.4%
Meijer, Inc	Retail Goods & Household Prod	1,500	7	1.2%	2,100	6	1.6%
MPI Research	Toxicology Contract & Research	1,400	8	1.1%	-	-	0.0%
Portage Public Schools	Education	1,261	9	1.0%	-	-	0.0%
Summit Polymers	Auto Supply-Interior Trim	1,200	10	1.0%	-	-	0.0%
<b>Total</b>		<b>21,653</b>		<b>17.3%</b>	<b>21,825</b>		<b>16.4%</b>

Sources:

City of Kalamazoo, Community Planning and Economic Development  
Michigan Department of Labor and Economic Growth - Office of Labor Market Information

Note: Only data for the top ten employers for the respective year are shown above.

(A) The approximate number of employees represents only full time employees.

(B) Percentage of employment from major employers is based on the total labor force for Kalamazoo-Portage Metropolitan Statistical Area (MSA) as employees above are not limited to residents of the City of Kalamazoo. The Kalamazoo-Portage MSA total labor force of 124,854 in 2012 were obtained from the Michigan Department of Technology, Management & Budget - Office of Labor Market Information.

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Years  
(unaudited)

Function/Program	Full-time Equivalent Employees (A)									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	80	79	75	74	74	74	75	65	75	65
Public safety	307	308	301	296	301	301	301	287	287	290
Economic development	6	6	7	7	6	6	6	6	6	5
Community development and planning	44	43	42	41	40	40	40	39	40	37
Parks and recreation	26	26	20	20	19	19	19	18	18	22
Public works	52	52	44	44	50	49	44	43	42	47
Streets	27	27	28	28	33	33	33	30	35	28
Wastewater	97	97	112	111	103	90	94	87	87	84
Water	95	95	88	88	85	85	79	76	61	63
<b>Total</b>	<b>734</b>	<b>733</b>	<b>717</b>	<b>709</b>	<b>711</b>	<b>697</b>	<b>691</b>	<b>651</b>	<b>651</b>	<b>641</b>

Source: City of Kalamazoo, Management Services Department, Accounting Division

(A) Data represents the number of full-time equivalent positions allocated in the respective year's annual budget.

## OPERATING INDICATORS BY FUNCTION

Last Eight Years  
(unaudited)

	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>General Government:</b>			
Assessors:			
Number of real property parcels	24,331	24,404	24,404
Cost to assess real property - per parcel	\$16.84	\$16.21	\$16.21
Revenue gained per real property parcel for new development	\$11.65	\$11.37	\$11.37
Number of personal property accounts	3,244	3,030	3,030
Cost to assess personal property - per parcel	\$31.67	\$38.38	\$38.38
New personal property accounts	235	270	270
Cost savings due to office realignment - per period			
Treasury:			
Percent of City operation tax collected at year end	86%	85%	85%
Average rate of return on investments	3.19%	4.85%	4.95%
<b>Public Safety:</b>			
Fire safety:			
Number of residential fires/Number of fatal fires	156/1	103/1	120 / 1
Number of fire inspections completed	2,700	2,700	2,700
Kalamazoo Valley Enforcement Team (KVET):			
Number of investigations	844	933	979
Number of arrests (includes warrants)	1,151	923	724
Operations:			
Number of calls for service	86,477	88,259	93,444
Number of persons arrested	9,145	10,580	9,850
Traffic citations issued	33,537	34,262	35,070
Traffic accidents / OUIL Arrests	3,473 / 293	3,479 / 240	3,123 / 312
<b>Economic development:</b>			
Number of tax exempt acres redeveloped	21.22	6.35	1.2
Private investment leveraged / jobs created	\$9,683,000	\$34,218 / 101	\$3,100,000 / 50
New taxable value added to the City	\$836,247	\$13,623,641	\$812,500
<b>Community development and planning:</b>			
Number of housing inspections	N/A	14,491	14,828
Number of rental units inspected/reinspected	12,470	13,000	N/A
Number of rental units certified	8,134	7,245	N/A
Zoning enforcement actions	174	240	245
Number of persons impacted by housing-related grant award activities	18,625	2,277	820
<b>Parks and recreation:</b>			
Number of park reservations and public events	135	190	190
Number of family programs	14	14	14
Number of people served through family programs	9,700	10,425	10,425
Number of youth development programs	37	43	43
Number of people served through youth development programs	9,000	9,230	9,230
Number of youth served through grant programs	6,900	13,265	-

Table 17

2008	2009	2010	2011 (B)	2012 (A)
22,848	23,430	23,987	23,350	N/A
\$17.29	\$21.90	\$18.29	\$22.09	\$21.49
\$11.00	(\$9.70)	(\$85.14)	(\$0.36)	\$0.60
3,180	3,632	3,322	3,064	2,935
\$37.18	\$49.89	\$43.71	\$42.08	\$42.79
150	292	184	N/A	N/A
			(\$2.86)	(\$0.71)
84%	92%	93%	94%	94%
T-Bill + 22 basis pts	T-Bill + 203 basis pts	T-Bill + 63 basis pts	T-Bill +22 basis pts	T-Bill +22 basis pts
140 / 1	140 / 2	140 / 0	N/A	N/A
2,700	2,700	2,700	N/A	N/A
989	989	909	975	871
704	783	729	790	871
96,603	97,100	94,100	73,433	101,000
8,975	8,672	8,900	7,800	8,836
30,567	28,058	25,000	12,348	17,537
3,001 / 373	3,069 / 393	3,069 / 400	2,917	2,700
34.4	34.4	0	2.19	0.98
\$17,000,000 / 82	\$17,000,000 / 82	\$6,100,000 / 120	\$16,800,000 / 114	\$13,700,000/48
\$4,200,000	\$4,200,000	\$2,400,000	\$2,199,000	\$2,351,000
14,357	13,654	14,089	12,802	7,900
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
216	235	568	N/A	N/A
2,452	2,063	2,702	N/A	N/A
196	194	211	225	160
12	12	7	9	9
7,311	9,083	7,212	6,788	3,851
56	57	54	48	48
9,520	10,818	12,566	2,440	2,446
-	-	-	-	-

## OPERATING INDICATORS BY FUNCTION - CONCLUDED

Last Eight Years  
(unaudited)

	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Government - Concluded:			
Public works:			
Number of sidewalk repairs	127	127	127
Volume of leaves collected (cubic yards)	67,879	67,879	67,879
Volume of material recycled (tons)	2,831	2,224	2,224
Number of housing units participating in recycling activities	20,000	50,000	20,000
Volume of solid waste collected (cubic yards)	9,972	9,972	9,972
Streets:			
Number of repairs on major streets	185	185	105
Value of Repairs per staff hour on major streets	\$298	\$298	\$326
Number of repairs on local streets	482	482	307
Value of Repairs per staff hour on local streets	\$252	\$252	\$226
Water:			
Cubic meters of water billed (millions)	22.7	22.8	22.8
Average operating cost to produce one cubic meter of water	\$0.451	\$0.438	\$0.438
Number of utility bills mailed	238,689	225,961	225,961
Wastewater:			
Cubic meters of wastewater treated (millions)	36.0	36.0	36.0
Average operating cost to treat one cubic meter of wastewater	\$0.442	\$0.442	\$0.442
Number of sanitary main line stoppages	14	14	26

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Source: City of Kalamazoo Budget

(A) 2012 data is projected in conjunction with the City of Kalamazoo 2013 proposed budget procedures.  
Actual data is not currently available.

(B) 2011 data has been updated from estimated to actual numbers.

Comparative statistical data preceeding 2005 is not available.

Table 17

2008	2009	2010	2011 (B)	2012 (A)
85	87	92	N/A	N/A
70,000	90,000	90,000	90,500	90,000
2,350	2,400	2,400	2,510	2,550
21,000	21,500	21,500	21,575	21,700
9,975	9,845	9,958	9,989	10,000
181	185	180	N/A	N/A
\$295	\$300	\$315	N/A	N/A
484	475	450	N/A	N/A
\$245	\$255	\$265	N/A	N/A
22.4	22.6	22.6	22.4	22.9
\$0.440	\$0.460	\$0.460	\$0.550	\$0.590
251,449	252,780	252,780	N/A	N/A
36.2	36.2	34.9	35.6	35.3
\$0.440	\$0.440	\$0.550	\$0.650	\$0.690
14	14	28	N/A	N/A

CAPITAL ASSET STATISTICS BY FUNCTION

Last Eight Years  
(unaudited)

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012
General government:								
Administration buildings	-	1	1	1	1	1	1	1
Vehicles	-	6	8	8	8	7	7	7
Parking lots	-	7	7	7	7	7	7	7
Parking ramps	-	3	3	3	3	3	3	3
Public safety:								
Public safety headquarters building	-	1	1	1	1	1	1	1
Public safety stations	7	7	7	7	7	7	7	6
Training facility	-	1	1	1	1	1	1	1
Vehicles	-	194	193	198	196	191	192	204
Community development and planning:								
Vehicles	-	25	26	27	27	27	27	24
Parks and recreation:								
Administration building	-	1	1	1	1	1	1	1
Youth development center	-	1	1	1	1	1	1	1
Acreage of parks:								
Mini-parks	-	8.9	8.9	8.9	8.9	8.9	8.9	4.8
Neighborhood parks and playgrounds	-	111.5	111.5	111.5	111.5	111.5	111.5	87.1
Major community parks	-	728.5	728.5	728.5	728.5	728.5	728.5	n/a
Open green space and preserves	-	137.0	137.0	137.0	137.0	137.0	137.0	n/a
Community parks	n/a	161.7						
Large urban parks	n/a	181.0						
Small urban parks	n/a	6.2						
Sports complex	n/a	93.1						
Natural resources areas	n/a	89.2						
Green spaces	n/a	6.0						
Islands and right of ways	n/a	16.2						
Number of parks (C):								
Mini-parks	-	9	9	9	9	9	9	7
Neighborhood parks and playgrounds	-	14	14	14	14	14	14	15
Major community parks	-	8	8	8	8	8	8	n/a
Open green space and preserves	-	17	17	17	17	17	17	n/a
Community parks	n/a	6.0						
Large urban parks	n/a	1.0						
Small urban parks	n/a	4.0						
Sports complex	n/a	1.0						
Natural resources areas	n/a	1.0						
Green spaces	n/a	6.0						
Islands and right of ways	n/a	28.0						
Festival site	-	1	1	1	1	1	1	1
Farmers market	-	1	1	1	1	1	1	1
Cemeteries	-	2	2	2	2	2	2	2
Swimming pool	-	1	1	1	1	1	1	1
Beach	-	1	1	1	1	1	1	1
Golf courses	-	3	3	3	3	3	3	3
Vehicles	-	2	2	2	3	3	3	3
Public works:								
Gravel pit	-	1	1	1	1	1	1	1
Salt storage building	-	1	1	1	1	1	1	1
Streets:								
Local streets (miles)	166.29	166.29	166.29	166.29	166.29	166.29	166.29	166.38
Major streets (miles)	82.39	82.39	82.39	82.39	82.39	82.39	82.39	83.62
Traffic signals	-	135	135	135	135	135	136	85

## CAPITAL ASSET STATISTICS BY FUNCTION - CONCLUDED

Last Eight Years  
(unaudited)

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012
Wastewater:								
Sanitary sewers (miles)	291	293	293	293	293	293	293	294
Storm sewers mains (miles)	187.5	187.5	187.5	187.5	187.5	187.5	187.5	188.0
Number of lift stations maintained	52	52	54	54	54	54	59	60
Maximum daily treatment capacity (millions of gallons)	53.5	53.5	53.5	53.5	53.5	53.5	53.5	53.5
Water:								
Water facility	1	1	1	1	1	1	1	1
Storage stations	8	8	8	8	8	8	8	8
Pumping stations	18	18	18	18	18	18	18	16
Booster/bleeder stations	13	13	13	13	13	13	15	17
Water mains (miles)	665	665	665	665	665	807	812	753
Wells in Service	103	103	99	99	99	99	99	99
Maximum daily well capacity (millions of gallons)	66.79	66.79	66.79	66.79	66.79	66.79	66.79	60.00
Storage capacity (millions of gallons)	17.80	17.80	17.80	17.80	17.80	17.80	17.80	15.10
Internal service:								
Public works equipment (A)								
Utility and other vehicles	-	95	93	90	91	95	76	112
Public utilities equipment (B)								
Utility and other vehicles	-	120	136	136	136	130	115	89

Sources: Various city departments.

Note: No capital asset indicators are available for the economic development function.

(A) The Public Works Equipment fund holds assets allocated primarily to general government, community development and planning, parks and recreation, and public works based on actual use.

(B) The Public Utilities Equipment fund holds assets allocated primarily to water and wastewater based on actual use.

(C) Certain parks information is presented based on classifications maintained by the Parks and Recreation department.

Comparative statistical data preceeding 2005 is not available.

SCHEDULE OF REVENUES AND EXPENDITURES  
FOR ACTIVITIES RELATED TO THE STATE CONSTRUCTION CODE ACT  
MICHIGAN PUBLIC ACT 245

For the Year Ended December 31, 2012  
(unaudited)

REVENUES	
Building Permits	\$ 213,667
Electrical Permits	88,013
Mechanical Permits	90,056
Plumbing Permits	45,797
Other Permits & License Fees	<u>54,442</u>
TOTAL REVENUES	491,975
EXPENDITURES	
Wages, Salaries and Benefits	429,901
Supplies	1,665
Services	57,056
Administrative Overhead*	<u>82,260</u>
TOTAL EXPENDITURES	<u>570,882</u>
EXCESS/(DEFICIT) REVENUES OVER EXPENDITURES	<u><u>\$ (78,907)</u></u>

\*Administrative overhead is computed for all City departments using a full cost-allocation plan. However, it is not charged to General Fund departments. Public Act 245 of 1999, which requires the inclusion of this schedule, also includes overhead as part of the expenditures to be reported.

**EMPLOYEES' RETIREMENT SYSTEM  
REVENUE BY SOURCE AND EXPENSES BY TYPE**

Last Ten Years  
(unaudited)

**Revenue by Source**

Year Ended December 31	Employee Contributions	Employer Contributions	Employer Contributions as a % of Covered Payroll	Investment Income (Loss)	Total
2003	\$ 1,477,702	\$ -	-	\$ 91,757,266	\$ 93,234,968
2004	1,517,175	-	-	56,524,988	58,042,163
2005	1,458,491	-	-	32,199,000	33,657,492
2006	1,518,785	-	-	66,454,372	67,973,157
2007	1,599,967	-	-	10,662,101	12,262,068
2008	1,723,718	-	-	(135,688,146)	(133,964,428)
2009	1,689,006	-	-	97,711,550	99,400,556
2010	1,689,077	-	-	76,195,624	77,884,701
2011	1,519,670	-	-	(11,039,051)	(9,519,381)
2012	1,199,113	905,746	2.48%	71,755,266	73,860,125

**Expenses by Type**

Year Ended December 31	Benefits	Administrative Expenses (A)	Refunds	Total
2003	\$ 12,206,053	\$ 373,945	\$ 184,431	\$ 12,764,429
2004	13,400,871	381,913	154,161	13,936,945
2005	13,421,166	474,191	305,481	14,200,838
2006	14,256,358	435,034	109,250	14,800,642
2007	15,800,304	479,032	125,963	16,405,299
2008	15,719,908	477,130	246,526	16,443,564
2009	16,439,540	503,138	223,634	17,166,312
2010	16,976,057	453,272	164,360	17,593,689
2011	18,140,577	426,033	249,948	18,816,558
2012	24,886,037	433,752	181,872	25,501,661

(A) Investment advisor fees are reported as a reduction of investment income, rather than as administrative expense.

TAXABLE VALUE

Last Eight Years  
(unaudited)

**TOTAL TAXABLE VALUE**

Taxable Value as of December 31	Year of State Equalization and Tax Levy	Year Ended December 31	Ad Valorem Taxable Value (1)	Abated Taxable Value (2)	Total Taxable Value	Percent Increase over Prior Year
2004	2005	2005	\$ 1,544,579,241	\$ 33,836,143	1,578,415,384	3.25%
2005	2006	2006	1,614,675,385	23,178,428	1,637,853,813	3.77%
2006	2007	2007	1,685,212,099	15,504,261	1,700,716,360	3.84%
2007	2008	2008	1,719,463,219	-	1,719,463,219	1.10%
2008	2009	2009	1,716,496,933	35,537,323	1,752,034,256	1.89%
2009	2010	2010	1,638,373,891	29,040,285	1,667,414,176	-4.83%
2010	2011	2011	1,597,347,235	29,798,234	1,627,145,469	-2.42%
2011	2012	2012	1,496,984,718	49,430,562	1,546,415,280	-4.96%

Per Capita Total Taxable Value for the Fiscal Year Ending December 31, 2012 (3) ..... \$ 20,823.78

Note: The taxable values represent starting taxable property values rendered by the March Board of Review. The taxable values above do not reflect final adjustments of the Tax Tribunal Judgments, Board of Review decisions, or other adjustments.

(1) Does not include the value of property located within the City's Renaissance Zone which was created pursuant to the provisions of Act 376 of the Michigan Public Acts of 1996, as amended ("Act 376"). Act 376 was designed to stimulate private investment within the Zone through the abatement of certain property, income, and business taxes. For the fiscal year ending December 31, 2012, the Taxable Value of the property located in the Zone totaled \$7,895,350.

(2) Abated taxable value is the equivalent taxable value of property granted tax abatement under Act 198.

(3) Based on the City's 2010 census of 74,262.

TAXABLE VALUE - CONCLUDED

Last Eight Years  
(unaudited)

**TOTAL TAXABLE VALUE BY USE AND CLASS**

	Years Ended December 31							
	2005	2006	2007	2008	2009	2010	2011	2012
<b>Use</b>								
Commercial	\$ 534,014,385	\$ 567,815,005	\$ 591,866,114	\$ 589,583,943	\$ 606,607,218	\$ 563,036,502	\$ 541,614,381	\$ 507,611,427
Industrial	300,634,764	284,054,454	281,518,175	289,483,928	288,393,750	267,710,185	266,864,890	256,822,892
Residential	743,766,235	785,984,354	827,332,071	856,069,445	857,033,288	836,667,489	818,666,198	761,980,961
	<u>\$ 1,578,415,384</u>	<u>\$ 1,637,853,813</u>	<u>\$ 1,700,716,360</u>	<u>\$ 1,735,137,316</u>	<u>\$ 1,752,034,256</u>	<u>\$ 1,667,414,176</u>	<u>\$ 1,627,145,469</u>	<u>\$ 1,526,415,280</u>
<b>Class</b>								
Real	\$ 1,351,560,784	\$ 1,406,290,065	\$ 1,470,085,410	\$ 1,511,176,716	\$ 1,511,695,056	\$ 1,428,165,026	\$ 1,386,487,819	\$ 1,289,740,130
Personal	226,854,600	231,563,748	230,630,950	223,960,600	240,339,200	239,249,150	240,657,650	236,675,150
	<u>\$ 1,578,415,384</u>	<u>\$ 1,637,853,813</u>	<u>\$ 1,700,716,360</u>	<u>\$ 1,735,137,316</u>	<u>\$ 1,752,034,256</u>	<u>\$ 1,667,414,176</u>	<u>\$ 1,627,145,469</u>	<u>\$ 1,526,415,280</u>

**PERCENT OF TOTAL TAXABLE VALUE BY USE AND CLASS**

	Years Ended December 31							
	2005	2006	2007	2008	2009	2010	2011	2012
<b>Use</b>								
Commercial	33.83%	34.67%	34.80%	33.98%	34.62%	33.77%	33.29%	33.26%
Industrial	19.05%	17.34%	16.55%	16.68%	16.46%	16.06%	16.40%	16.83%
Residential	47.12%	47.99%	48.65%	49.34%	48.92%	50.18%	50.31%	49.92%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
<b>Class</b>								
Real	85.63%	85.86%	86.44%	87.09%	86.28%	85.65%	85.21%	84.49%
Personal	14.37%	14.14%	13.56%	12.91%	13.72%	14.35%	14.79%	15.51%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Source: City of Kalamazoo, Management Services Department, Assessor Division

STATE EQUALIZED VALUATION

Last Eight Years  
(unaudited)

**Total State Equalized Value (SEV)**

Assessed Value as of December 31	Year of State Equalization and Tax Levy	Year Ended December 31	Ad Valorem SEV Value (1)	Abated SEV Value (2)	Total SEV Value	Percent Increase
2004	2005	2005	\$ 1,795,070,620	\$ 33,975,900	\$ 1,829,046,520	3.35%
2005	2006	2006	1,895,004,224	23,390,200	1,918,394,424	4.88%
2006	2007	2007	1,943,943,350	15,842,150	1,959,785,500	2.16%
2007	2008	2008	1,973,015,306	16,225,300	1,989,240,606	1.50%
2008	2009	2009	1,876,466,814	36,568,300	1,913,035,114	-3.83%
2009	2010	2010	1,750,636,695	29,783,150	1,780,419,845	-6.93%
2010	2011	2011	1,690,093,209	30,362,100	1,720,455,309	-3.37%
2011	2012	2012	1,546,057,614	29,826,350	1,575,883,964	-8.40%

Per Capita Total SEV for the Fiscal Year Ending December 31, 2012 (3) ..... \$ 21,220.60

(1) Does not include the value of property located within the City's Renaissance Zone which was created pursuant to the provisions of Act 376 of the Michigan Public Acts of 1996, as amended ("Act 376"). Act 376 was designed to stimulate private investment within the Zone through the abatement of certain property, income, and business taxes. For the fiscal year ending December 31, 2012, the SEV of the property located in the Zone totaled \$8,028,100.

(2) Abated taxable value is the equivalent taxable value of property granted tax abatement under Act 198.

(3) Based on the City's 2010 census of 74,262.

STATE EQUALIZED VALUATION - CONCLUDED

Last Eight Years  
(unaudited)

**Total SEV by Use and Class**

	Years Ended December 31							
	2005	2006	2007	2008	2009	2010	2011	2012
<b>Use</b>								
Commercial	\$ 593,461,875	\$ 648,762,947	\$ 656,955,700	\$ 655,406,800	\$ 659,635,900	\$ 594,185,500	\$ 572,537,400	\$ 525,231,000
Industrial	271,393,700	291,139,765	288,315,850	297,254,500	295,147,000	272,429,550	270,606,100	259,257,328
Residential	930,215,135	983,096,900	1,014,513,950	1,036,579,306	958,208,614	913,804,795	877,311,809	791,395,636
	<u>\$ 1,795,070,710</u>	<u>\$ 1,922,999,612</u>	<u>\$ 1,959,785,500</u>	<u>\$ 1,989,240,606</u>	<u>\$ 1,912,991,514</u>	<u>\$ 1,780,419,845</u>	<u>\$ 1,720,455,309</u>	<u>\$ 1,575,883,964</u>
<b>Class</b>								
Real	\$ 1,578,198,420	\$ 1,690,650,764	\$ 1,690,650,764	\$ 1,765,280,006	\$ 1,672,695,914	\$ 1,541,173,395	\$ 1,479,786,159	\$ 1,339,202,714
Personal	216,872,200	232,348,848	232,348,848	223,960,600	240,295,600	239,246,450	240,669,150	236,681,250
	<u>\$ 1,795,070,620</u>	<u>\$ 1,922,999,612</u>	<u>\$ 1,922,999,612</u>	<u>\$ 1,989,240,606</u>	<u>\$ 1,912,991,514</u>	<u>\$ 1,780,419,845</u>	<u>\$ 1,720,455,309</u>	<u>\$ 1,575,883,964</u>

**Percent of Total SEV by Use and Class**

	Years Ended December 31							
	2005	2006	2007	2008	2009	2010	2011	2012
<b>Use</b>								
Commercial	33.06%	33.74%	33.52%	32.95%	34.48%	33.37%	33.28%	33.33%
Industrial	15.12%	15.14%	14.71%	14.94%	15.43%	15.30%	15.73%	16.45%
Residential	51.82%	51.12%	51.77%	52.11%	50.09%	51.33%	50.99%	50.22%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
<b>Class</b>								
Real	87.92%	87.92%	87.92%	88.74%	87.44%	86.56%	86.01%	84.98%
Personal	12.08%	12.08%	12.08%	11.26%	12.56%	13.44%	13.99%	15.02%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Source: City of Kalamazoo, Management Services Department, Assessor Division

## MAXIMUM AND ACTUAL TAX RATES

December 31, 2012  
(unaudited)

Millage Classification	Millage Authorized	Cumulative Millage Reduction Fraction (A)	Maximum Allowable Millage	Actual Millage Levied
Operating	20.0000	0.9635	19.2705	19.2705
Refuse Collection and Disposal	3.0000	0.9635	2.8906	1.5500
Mass Transportation	<u>0.6000</u>	0.0000	<u>0.6000</u>	<u>0.6000</u>
	<u><u>23.6000</u></u>		<u><u>22.7611</u></u>	<u><u>21.4205</u></u>

Source: City of Kalamazoo, Management Services Department, Treasury Division

(A) The cumulative millage reduction fraction reduces the authorized millage based on the Headlee amendment which limits the rate of growth of property tax revenue to the consumers price index.

## REVENUE SHARING PAYMENTS FROM THE STATE OF MICHIGAN

Last Ten Years  
(unaudited)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Constitutional	\$ 5,066,411	\$ 5,067,393	\$ 5,250,646	\$ 5,169,916	\$ 5,205,102
Statutory	<u>6,214,348</u>	<u>5,245,601</u>	<u>5,082,985</u>	<u>4,797,829</u>	<u>4,719,644</u>
Total payments received	11,280,759	10,312,994	10,333,631	9,967,745	9,924,746
Disbursement to other governmental units (1)	<u>(243,183)</u>	<u>(243,183)</u>	<u>(243,183)</u>	<u>(243,183)</u>	<u>(243,183)</u>
Net revenue sharing	<u>\$ 11,037,576</u>	<u>\$ 10,069,811</u>	<u>\$ 10,090,448</u>	<u>\$ 9,724,562</u>	<u>\$ 9,681,563</u>
% of General Fund revenue (2)	23.3%	21.3%	20.4%	18.8%	18.4%

Source: City of Kalamazoo, Management Services Department, Accounting Division

- (1) Prior to 2008, the City received revenue sharing payments on behalf of the Kalamazoo Library, Parchment Library, Metro Transit, and Downtown Development Authority. No such payments were received in 2008, 2009, 2010 or 2011.
- (2) The percentage of General Fund revenue is calculated using the non-GAAP, budgetary basis of actual revenues.

Table 24

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 5,342,525	\$ 5,038,645	\$ 4,997,354	\$ 5,234,462	\$ 5,362,226
<u>4,625,220</u>	<u>4,625,220</u>	<u>3,597,688</u>	<u>2,828,982</u>	<u>2,577,215</u>
9,967,745	9,663,865	8,595,042	8,063,444	7,939,441
-	-	-	-	-
<u>\$ 9,967,745</u>	<u>\$ 9,663,865</u>	<u>\$ 8,595,042</u>	<u>\$ 8,063,444</u>	<u>\$ 7,939,441</u>
18.5%	18.6%	16.8%	15.0%	16.2%

## RECEIPTS FROM THE MICHIGAN TRANSPORTATION FUND

Last Seven Years  
(unaudited)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b><u>Cash Basis</u></b>							
Major Streets	\$ 4,145,499	\$ 4,100,045	\$ 4,444,710	\$ 3,785,194	\$3,800,114	\$ 3,856,427	\$3,970,573
Local Streets	<u>1,159,416</u>	<u>1,146,604</u>	<u>1,193,602</u>	<u>1,073,035</u>	<u>1,076,285</u>	<u>1,089,278</u>	<u>1,119,306</u>
	<u>\$ 5,304,915</u>	<u>\$ 5,246,649</u>	<u>\$ 5,638,312</u>	<u>\$ 4,858,229</u>	<u>\$ 4,876,399</u>	<u>\$ 4,945,705</u>	<u>\$ 5,089,879</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b><u>Accrual Basis</u></b>							
Major Streets	\$ 4,124,532	\$ 4,099,179	\$ 3,912,153	\$ 3,792,932	\$3,803,492	\$ 3,885,881	\$3,982,120
Local Streets	<u>1,153,481</u>	<u>1,146,418</u>	<u>1,105,811</u>	<u>1,075,337</u>	<u>1,076,655</u>	<u>1,097,173</u>	<u>1,122,618</u>
	<u>\$ 5,278,013</u>	<u>\$ 5,245,597</u>	<u>\$ 5,017,964</u>	<u>\$ 4,868,269</u>	<u>\$ 4,880,147</u>	<u>\$ 4,983,054</u>	<u>\$ 5,104,738</u>

Source: City of Kalamazoo, Management Services Department, Accounting Division

## LABOR CONTRACTS

December 31, 2012  
(unaudited)

Bargaining Unit	Membership	Contract Expiration Date
American Federation of State, County and Municipal Employees	117	October 2, 2014
Kalamazoo Municipal Employees Association	93	December 31, 2013
Kalamazoo Police Supervisors Association (Captains, Lieutenants and Sergeants)	50	December 31, 2013
Kalamazoo Police Officers Association (Officers and Detectives)	213	December 31, 2013
Amalgamated Transit Union (Bus Drivers and Mechanics)	75	February 13, 2014
Non-Union	143	Not Applicable
<b>Total Employees</b>	<b>691</b>	

Source: City of Kalamazoo, Human Resources

EMPLOYMENT STATISTICS

Last Ten Years  
(unaudited)

	City of Kalamazoo				State of Michigan			
	Employed	Unemployed	Total Labor Force	Unemployed as a % of Labor Force	Employed	Unemployed	Total Labor Force	Unemployed as a % of Labor Force
2003	36,119	2,967	39,086	7.6%	4,676,000	358,000	5,034,000	7.1%
2004	36,186	3,109	39,295	7.9%	4,687,000	356,000	5,043,000	7.1%
2005	36,901	2,847	39,748	7.2%	4,717,000	346,000	5,063,000	6.8%
2006	37,382	2,859	40,241	7.1%	4,723,000	349,000	5,072,000	6.9%
2007	37,818	2,947	40,765	7.2%	4,681,000	357,000	5,038,000	7.1%
2008	37,369	3,517	40,886	8.6%	4,554,000	412,000	4,966,000	8.3%
2009	34,829	5,409	40,238	13.4%	4,211,000	648,000	4,859,000	13.3%
2010	34,176	5,512	39,688	13.9%	4,193,000	597,000	4,790,000	12.5%
2011	33,469	4,255	37,724	11.3%	4,178,000	480,000	4,658,000	10.3%
2012	34,327	2,872	37,199	7.7%	4,245,000	364,000	4,609,000	7.9%

Source: Michigan Department of Labor and Economic Growth - Office of Labor Market Information

Note: Unemployment data represents annual averages not adjusted for seasonal changes. 2002-2009 data is updated to reflect current labor data available.

## WATER SUPPLY SYSTEM

Water Supply Franchises  
(unaudited)

<u>Franchisor</u>	<u>Effective Date</u>	<u>Year of Renewal</u>
Comstock Township	23-Dec-64	1994*
Cooper Township	18-Nov-68	1998*
Kalamazoo Township	30-Jan-70	2000*
Oshtemo Township	8-Feb-65	1995*
Pavilion Township	18-Nov-68	1998*
City of Portage	1-Oct-12	2042*
Richland Township	28-Feb-72	2002*
Richland Village	26-Jul-76	2006*
Texas Township	11-Dec-67	1997*

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Source: City of Kalamazoo, Public Services Department, Water Division

\* For any contracts which have expired, the City and the affected Township(s) are continuing their relationship under the continuation continuation portion of the agreement(s).

## WATER SUPPLY SYSTEM

Approximate Number of Water Supply Customers  
by Location and User ClassificationLast Five Years  
(unaudited)

Customer Location and Classification	2008	2009	2010	2011	2012
City:					
Residential	18,220	18,230	17,425	17,171	18,267
Commercial / Industrial	<u>5,256</u>	<u>5,272</u>	<u>5,998</u>	<u>5,939</u>	<u>6,052</u>
Total City	<u>23,476</u>	<u>23,502</u>	<u>23,423</u>	<u>23,110</u>	<u>24,319</u>
Out City:					
Residential	17,095	18,200	16,475	16,501	17,192
Commercial / Industrial	<u>4,781</u>	<u>4,867</u>	<u>5,432</u>	<u>5,427</u>	<u>6,002</u>
Total Out City	<u>21,876</u>	<u>23,067</u>	<u>21,907</u>	<u>21,928</u>	<u>23,194</u>
Total System:					
Residential	35,315	36,430	33,900	33,672	35,459
Commercial / Industrial	<u>10,037</u>	<u>10,139</u>	<u>11,430</u>	<u>11,366</u>	<u>12,054</u>
Total System	<u><u>45,352</u></u>	<u><u>46,569</u></u>	<u><u>45,330</u></u>	<u><u>45,038</u></u>	<u><u>47,513</u></u>

Source: City of Kalamazoo, Public Services Department, Water Division

(1) Data listed represents the number of meters and/or fire protection lines/hydrants for each year.

Since many commercial and industrial customers have more than one service connection, the number of customers by meter and/or fire protection line/hydrant more accurately reflects System growth and concentration by user classification.

## WATER SUPPLY SYSTEM

Approximate Number of Water Customers by Location  
and Size of Meter or Fire Protection Line/Hydrant  
(unaudited)

	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b><u>Meter Location and Size</u></b>			
City:			
5/8" - 3/4"	16,706	16,419	17,388
1"	2,326	2,325	2,499
1 1/2"	241	242	251
2"	1,003	974	984
3"	181	179	180
4"	77	78	82
6"	6	5	6
8"	0	0	0
Total City	<u>20,540</u>	<u>20,222</u>	<u>21,390</u>
Out City:			
5/8" - 3/4"	8,467	8,404	8,636
1"	8,804	8,901	9,378
1 1/2"	328	325	328
2"	901	896	902
3"	101	103	105
4"	44	43	42
6"	9	10	11
8"	0	0	0
Total Out City	<u>18,654</u>	<u>18,682</u>	<u>19,402</u>
Total Meters	<u>39,194</u>	<u>38,904</u>	<u>40,792</u>
<b><u>Location and Size of Fire Protection Line/Hydrant</u></b>			
City:			
4"	210	201	206
6"	174	161	163
8"	91	83	85
10"	2	2	2
Hydrants	<u>2,406</u>	<u>2,441</u>	<u>2,475</u>
Total City	<u>2,883</u>	<u>2,888</u>	<u>2,931</u>
Out City:			
4"	185	187	189
6"	97	99	99
8"	70	70	69
10"	5	5	5
Hydrants	<u>2,896</u>	<u>2,885</u>	<u>3,432</u>
Total Out City	<u>3,253</u>	<u>3,246</u>	<u>3,794</u>
Total Fire Protection	<u>6,136</u>	<u>6,134</u>	<u>6,725</u>
Total Service Connections	<u>45,330</u>	<u>45,038</u>	<u>47,517</u>

Source: City of Kalamazoo, Public Services Department, Water Division

## WATER SUPPLY SYSTEM

## Water Supply Ready-to-Serve Charges by Meter Location and Size

Meter Location and Size	Last Five Years (unaudited)				
	2008	2009	2010	2011	2012
City (Quarterly Billed Accounts):					
5/8" Meter	\$ 17.93	\$ 18.65	\$ 18.30	\$ 18.84	\$ 20.70
1" Meter	23.11	24.03	23.91	24.81	27.48
1-1/2" Meter	28.29	29.42	29.52	30.77	34.25
2" Meter	42.54	44.24	44.94	47.18	52.87
City (Monthly Billed Accounts):					
5/8" Meter	9.30	9.67	8.95	8.90	9.41
1" Meter	11.02	11.46	10.82	10.89	11.67
1-1/2" Meter	12.75	13.26	12.69	12.88	13.93
2" Meter	17.50	18.20	17.83	18.35	20.14
3" Meter	52.47	54.57	55.70	58.61	65.86
4" Meter	65.43	68.05	69.72	73.52	82.79
6" Meter	95.65	99.48	102.45	108.32	122.30
8" Meter	130.19	135.40	139.35	148.08	167.45
City (Monthly Fire Protection Charge):					
4" Detector Check	16.34	16.99	19.54	21.72	23.63
6" Detector Check	21.02	21.86	23.06	25.46	28.03
8" Detector Check	30.28	31.49	30.60	33.26	37.12
10" Detector Check	66.31	68.96	65.03	68.49	77.33
Fire Hydrant	3.33	3.47	3.33	3.33	3.33
Out City (Quarterly Billed Accounts):					
5/8" Meter	27.40	28.50	24.01	23.03	24.48
1" Meter	36.36	37.81	31.90	30.66	32.76
1-1/2" Meter	45.33	47.14	39.80	38.30	41.04
2" Meter	69.99	72.79	61.51	59.31	63.82
Out City (Monthly Billed Accounts):					
5/8" Meter	12.45	12.95	10.85	10.30	10.67
1" Meter	15.44	16.06	13.48	12.84	13.43
1-1/2" Meter	18.43	19.17	16.11	15.39	16.19
2" Meter	26.65	27.72	23.35	22.39	23.79
3" Meter	87.18	90.67	76.64	73.95	79.70
4" Meter	109.60	113.98	96.38	93.04	100.41
6" Meter	161.90	168.38	142.43	137.60	148.72
8" Meter	221.68	230.55	195.07	188.52	203.94
Out City (Monthly Fire Protection Charge):					
4" Detector Check	28.33	29.46	29.29	42.92	46.32
6" Detector Check	35.63	37.06	33.54	54.82	60.00
8" Detector Check	49.89	51.89	42.35	79.86	88.61
10" Detector Check	102.99	107.11	81.70	197.68	218.99
Fire Hydrant	3.33	3.47	3.33	3.33	3.33

Source: City of Kalamazoo, Public Services Department, Water Division

## WATER SUPPLY SYSTEM

Water Supply Commodity Charges by Meter  
Location and Classification (1)Last Five Years  
(unaudited)

<u>Meter Location and Classification</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
City:					
Residential	\$0.197	\$0.205	\$0.237	\$0.270	\$0.284
Multifamily	0.139	0.145	0.213	0.243	0.255
Commercial/Industrial	0.168	0.175	0.239	0.272	0.286
Fire Protection - First 15 M3	0.168	0.180	0.233	0.263	0.275
Fire Protection - Over 15 M3	0.504	0.524	0.699	0.789	0.825
Seasonal Uses	0.329	0.342	0.468	0.527	0.537
Out City:					
Residential	\$0.444	\$0.462	\$0.501	\$0.504	\$0.516
Multifamily	0.300	0.312	0.332	0.335	0.343
Commercial/Industrial	0.356	0.370	0.374	0.377	0.385
Fire Protection - First 15 M3	0.356	0.370	0.369	0.372	0.377
Fire Protection - Over 15 M3	1.068	1.111	1.107	1.116	1.131
Seasonal Uses	0.867	0.902	1.013	1.014	1.019

Source: City of Kalamazoo, Public Services Department, Water Division

(1) per cubic meter

## WATER SUPPLY SYSTEM

History of System Rate Increases  
(unaudited)

<u>Date Increase Effective</u>	<u>Percent Increase (1)</u>
January 1, 1984	5.00%
February 8, 1985	7.60%
March 2, 1987	5.00%
January 1, 1991	8.00%
January 1, 1993	8.00%
January 1, 1995	5.00%
March 3, 1997	5.00%
February 1, 1998	4.90%
March 15, 1999	2.00%
July 1, 2001	2.00%
February 1, 2002	2.00%
April 30, 2004	3.00%
March 4, 2005	3.00%
March 16, 2006	4.50%
July 1, 2007	3.50%
March 1, 2008	4.00%
March 1, 2009	5.00%
February 1, 2010	5.00%
March 1, 2011	3.50%
March 1, 2012	5.00%

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Source: City of Kalamazoo, Public Services Department, Water Division

(1) Reflects anticipated increase in total system revenues. The actual change in rates by meter location and classification vary.

## WATER SUPPLY SYSTEM

## Water Supply Volume as Pumped and Billed (1)

Last Five Years  
(unaudited)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Pumped	25,787,182	25,470,589	25,737,266	25,375,000	27,738,740
Billed	<u>22,381,271</u>	<u>22,588,130</u>	<u>22,747,167</u>	<u>22,362,833</u>	<u>24,137,305</u>
Unaccounted (2)	<u>3,405,911</u>	<u>2,882,459</u>	<u>2,990,099</u>	<u>3,012,167</u>	<u>3,601,435</u>
Unaccounted as a Percent of Pumped	<u>13.21%</u>	<u>11.32%</u>	<u>11.62%</u>	<u>11.87%</u>	<u>12.98%</u>

Source: City of Kalamazoo, Public Services Department, Water Division

(1) Measured in Cubic Meters

(2) Unaccounted water volume is due primarily to the flushing of lines, pressure releases during routine maintenance and, to a diminishing degree, line loss and slow meters. As part of its quality control efforts, the City routinely flushes transmission lines.

## WATER SUPPLY SYSTEM

Water Volume as Billed by Meter  
Location and ClassificationLast Five Years  
(unaudited)

<u>Meter Location and Classification</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
City:					
Residential	4,351,103	4,353,574	4,769,631	4,351,285	4,776,500
Multifamily	1,896,895	1,903,421	1,861,800	1,838,454	1,893,600
Commercial/Industrial	5,537,070	5,780,822	5,521,424	6,050,094	5,413,200
Fire Protection	8,067	7,919	7,165	6,519	8,400
Seasonal Uses (1)	<u>570,924</u>	<u>566,631</u>	<u>590,136</u>	<u>431,573</u>	<u>743,500</u>
Total City	<u>12,364,059</u>	<u>12,612,367</u>	<u>12,750,156</u>	<u>12,677,925</u>	<u>12,835,200</u>
Out City:					
Residential	5,700,057	5,719,634	5,614,720	5,133,751	6,372,200
Multifamily	1,654,052	1,631,892	1,553,430	1,579,548	1,575,600
Commercial/Industrial	2,173,597	2,099,465	2,329,291	2,521,467	2,658,600
Fire Protection	4,343	4,954	3,958	4,349	3,300
Seasonal Uses (1)	<u>485,163</u>	<u>519,818</u>	<u>495,612</u>	<u>445,793</u>	<u>692,400</u>
Total Out City	<u>10,017,212</u>	<u>9,975,763</u>	<u>9,997,011</u>	<u>9,684,908</u>	<u>11,302,100</u>
Total System:					
Residential	10,051,160	10,073,208	10,384,351	9,485,036	11,148,700
Multifamily	3,550,947	3,535,313	3,415,230	3,418,002	3,469,200
Commercial/Industrial	7,710,667	7,880,287	7,850,715	8,571,561	8,071,800
Fire Protection	12,410	12,873	11,123	10,868	11,700
Seasonal Uses (2)	<u>1,056,087</u>	<u>1,086,449</u>	<u>1,085,748</u>	<u>877,366</u>	<u>1,435,900</u>
Total System	<u>22,381,271</u>	<u>22,588,130</u>	<u>22,747,167</u>	<u>22,362,833</u>	<u>24,137,300</u>

Source: City of Kalamazoo, Public Services Department, Water Division

(1) Water volume is measured in cubic meters.

(2) Represents flow relating to sprinkler systems which are metered separately.

## WATER SUPPLY SYSTEM

## Average and Peak Daily Water Supply Volume (1)

Last Five Years  
(unaudited)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Average Daily Water Supply	18.660	18.440	18.604	18.367	19.568
Peak Daily Water Supply	31.376	33.855	34.614	34.374	45.933
Peak as a Percent of Average	168.15%	183.60%	186.06%	187.15%	234.74%

Source: City of Kalamazoo, Public Services Department, Water Division

(1) Measured in millions of gallons per day.

## WATER SUPPLY SYSTEM

Water Supply Revenue as Billed by Meter  
Location and ClassificationLast Five Years  
(unaudited)

<u>Meter Location and Classification</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
City:					
Residential	\$ 2,142,163	\$ 2,195,516	\$ 2,365,814	\$ 2,464,785	\$ 2,784,620
Multifamily	441,404	440,712	567,730	628,206	680,756
Commercial/Industrial	1,318,086	1,412,125	1,734,778	1,943,695	2,003,550
Fire Protection	125,011	131,510	144,982	150,425	168,595
Seasonal Uses	248,337	242,155	271,702	225,852	431,973
<b>Total City</b>	<b>4,275,001</b>	<b>4,422,018</b>	<b>5,085,006</b>	<b>5,412,963</b>	<b>6,069,494</b>
Out City:					
Residential	4,570,675	4,739,504	4,568,285	4,375,222	5,170,989
Multifamily	753,250	749,995	747,807	753,152	776,386
Commercial/Industrial	1,139,639	1,180,012	1,278,008	1,328,943	1,402,911
Fire Protection	164,881	178,517	167,293	165,903	176,115
Seasonal Uses	488,823	523,200	496,735	424,599	703,314
<b>Total Out City</b>	<b>7,117,268</b>	<b>7,371,228</b>	<b>7,258,128</b>	<b>7,047,819</b>	<b>8,229,715</b>
Total System:					
Residential	6,712,838	6,935,020	6,934,099	6,840,007	7,955,609
Multifamily	1,194,654	1,190,707	1,315,537	1,381,358	1,457,142
Commercial/Industrial	2,457,725	2,592,137	3,012,786	3,272,638	3,406,461
Fire Protection	289,892	310,027	312,275	316,328	344,710
Seasonal Uses	737,160	765,355	768,437	650,451	1,135,287
<b>Total System</b>	<b>\$ 11,392,269</b>	<b>\$ 11,793,246</b>	<b>\$ 12,343,134</b>	<b>\$ 12,460,782</b>	<b>\$ 14,299,209</b>

Source: City of Kalamazoo, Public Services Department, Water Division

## WATER SUPPLY SYSTEM

## Ten Largest Water Customers by Volume and Revenue

Year Ended December 31, 2012  
(unaudited)

Customer	Principal Product or Service	Water Volume (cubic meters)	Percent of Total (1)	Water Revenue	Percent of Total (2)
Graphic Packaging	Paper Products	1,991,969	8.3%	\$ 386,079	2.7%
Western Michigan University	Higher Education	895,020	3.7%	328,882	2.3%
Pfizer Corporation	Pharmaceuticals	363,869	1.5%	157,291	1.1%
Bronson Methodist Hospital	Hospital	352,479	1.5%	114,394	0.8%
Borgess Medical Center	Hospital	357,269	1.5%	114,394	0.8%
Kalsec Inc.	Food Grade Flavoring	258,556	1.1%	85,795	0.6%
Kalamazoo Brewing	Beer Brewing	179,361	0.7%	57,197	0.4%
A.M. Todd	Flavor Manufacturing	161,302	0.7%	57,197	0.4%
Continental Linen	Uniform Cleaning	150,750	0.6%	42,898	0.3%
Occidental Development	Real Estate Development	137,765	0.6%	42,898	0.3%
		<u>4,848,340</u>	<u>20.1%</u>	<u>\$ 1,387,025</u>	<u>9.7%</u>

Source: City of Kalamazoo, Public Services Department, Water Division

(1) Based on water volume of 24,137,305 cubic meters.

(2) Based on Water System billed revenue of \$14,299,209.

## WASTEWATER SYSTEM

Wastewater Service Agreements  
(unaudited)

<u>Municipality</u>	<u>Date of Execution</u>	<u>Year to be Renewed</u>
City of Galesburg (2)	29-Jul-85	2025
City of Parchment (2)	23-Jul-85	2015
City of Portage (2)	27-Jan-86	2016
Village of Augusta (2)	26-Mar-81	2021
Village of Mattawan (2)	18-Nov-96	2026
Village of Vicksburg (2)	16-Apr-85	2015
Charleston Township (1)	3-Jul-98	2016
Comstock Township (1)	16-Sep-80	2010
Cooper Township (1)	10-Oct-83	2013
Kalamazoo Township (1)	6-Oct-80	2010
Oshtemo Township (1)	8-Oct-84	2014
Pavilion Township (1)	16-Mar-81	2011
Schoolcraft Township (1)	25-Oct-82	2012
Texas Township (1)	22-Oct-84	2014
Gull Lake Sewer Authority (2)	15-Sep-80	2010
Barry County		
Prairieville Township		
Richland Township		
Ross Township		
South County Sewer Authority (2)	20-Jul-04	2016

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Source: City of Kalamazoo, Public Services Department, Wastewater Division

(1) Served by a retail service agreement.

(2) Served by a wholesale service agreement.

## WASTEWATER SYSTEM

Approximate Number of Wastewater Customers  
by Location and User ClassificationLast Five Years  
(unaudited)

<u>Customer Location and Classification</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Retail Customers</u>					
<i>In-City Retail Customers</i>					
Residential	16,527	16,487	16,977	16,742	17,824
Commercial	2,797	2,500	2,630	2,608	2,673
Industrial	<u>174</u>	<u>168</u>	<u>102</u>	<u>99</u>	<u>97</u>
Sub-Total	<u>19,498</u>	<u>19,155</u>	<u>19,709</u>	<u>19,449</u>	<u>20,594</u>
<i>Out-City Retail Customers</i>					
Residential	9,438	9,674	9,906	9,961	10,360
Commercial	1,449	1,410	1,452	1,479	1,502
Industrial	<u>55</u>	<u>53</u>	<u>27</u>	<u>27</u>	<u>28</u>
Sub-Total	<u>10,942</u>	<u>11,137</u>	<u>11,385</u>	<u>11,467</u>	<u>11,890</u>
Total Retail Customers	<u>30,440</u>	<u>30,292</u>	<u>31,094</u>	<u>30,916</u>	<u>32,484</u>
<u>Wholesale Customers</u>					
Industries	2	2	2	2	2
Wholesale Municipal Customers	8	8	8	8	8
Dewatering Accounts	8	8	2	3	4
Septage Haulers	<u>8</u>	<u>8</u>	<u>2</u>	<u>2</u>	<u>0</u>
Sub-Total	<u>26</u>	<u>26</u>	<u>14</u>	<u>15</u>	<u>14</u>
<u>Flat Rate Customers</u>	<u>1,511</u>	<u>1,511</u>	<u>1,525</u>	<u>1,524</u>	<u>1,531</u>
Total Sewer Customers	<u>31,977</u>	<u>31,829</u>	<u>32,633</u>	<u>32,455</u>	<u>34,029</u>

Source: City of Kalamazoo, Public Services Department, Wastewater Division

## WASTEWATER SYSTEM

## Number of Retail Customers by Meter Size

Last Five Years  
(unaudited)

<u>Meter Size</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
5/8" - 3/4"	22,112	22,141	22,746	22,456	23,594
1"	5,845	5,742	6,115	6,223	6,622
1-1/2"	449	489	432	440	452
2"	1,579	1,511	1,465	1,457	1,469
3"	281	266	240	241	242
4"	139	108	89	90	94
6"	35	35	7	9	11
	<u>30,440</u>	<u>30,292</u>	<u>31,094</u>	<u>30,916</u>	<u>32,484</u>

Source: City of Kalamazoo, Public Services Department, Wastewater Division

## WASTEWATER SYSTEM

Wastewater Ready-to-Serve Charges by  
Water Meter Location and SizeLast Five Years  
(unaudited)

<u>Meter Location and Size</u>	<u>2008-2009 (1)</u>		<u>2010 (2)</u>		<u>2011 (3)</u>		<u>2012 (4)</u>	
	<u>Monthly</u>	<u>Quarterly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Monthly</u>	<u>Quarterly</u>
City:								
5/8"	\$ 5.76	\$ 6.53	\$ 6.71	\$ 7.10	\$ 6.44	\$ 6.93	\$ 6.14	\$ 6.77
3/4"	5.79	6.65	6.73	7.16	6.47	7.01	6.16	6.86
1"	5.91	7.00	6.79	7.34	6.54	7.24	6.26	7.15
1-1/2"	6.06	7.46	6.86	7.58	6.64	7.53	6.39	7.52
2"	6.49	8.75	7.08	8.23	6.91	8.35	6.73	8.57
3"	9.65	18.21	8.68	12.99	8.92	14.38	9.3	16.25
4"	10.81	21.72	9.26	14.76	9.67	16.61	10.24	19.09
6"	13.54	29.90	10.64	18.88	11.40	21.82	12.45	25.72
Out City:								
5/8"	\$ 6.43	\$ 9.65	\$ 7.62	\$ 11.20	\$ 7.37	\$ 10.88	\$ 7.03	\$ 10.50
3/4"	6.59	10.14	7.79	11.74	7.55	11.40	7.21	11.02
1"	7.07	11.58	8.34	13.35	8.08	12.98	7.73	12.59
1-1/2"	7.72	13.52	9.05	15.49	8.78	15.07	8.42	14.66
2"	9.49	18.84	11.02	21.41	10.70	20.86	10.33	20.39
3"	22.55	58.00	25.52	64.90	24.88	63.40	24.38	62.51
4"	27.39	72.51	30.88	81.01	30.13	79.16	29.58	78.12
6"	38.67	106.36	43.42	118.60	42.39	115.92	41.71	114.52

Source: City of Kalamazoo, Public Services Department, Wastewater Division

(1) Rate change effective March 1, 2008.

(2) Rate change effective February 1, 2010.

(3) Rate change effective March 1, 2011.

(4) Rate change effective March 1, 2012.

## WASTEWATER SYSTEM

## Wastewater Treatment Charges by Customer Classification (1)

Last Five Years  
(unaudited)

<u>Fiscal Years Ended December 31</u>	<u>In-City Retail Customers</u>	<u>Out-City Retail Customers</u>	<u>Wholesale Municipal Customers</u>	<u>City of Galesburg (2)</u>	<u>Septage Haulers</u>	<u>In-City Dewatering Customers</u>	<u>Out-City Dewatering Customers</u>
2008-2009 (3)	0.315	0.680	0.408	0.439	34.842	0.288	0.692
2010 (4)	0.287	0.757	0.473	0.507	96.336	0.261	0.769
2011 (5)	0.322	0.755	0.487	0.529	69.627	0.297	0.766
2012 (6)	0.358	0.773	0.504	0.542	270.408	0.331	0.785

Source: City of Kalamazoo, Public Services Department, Wastewater Division

(1) Per cubic meter

(2) Since the City of Galesburg does not have a master meter, the wastewater treatment charge is adjusted for the cost of infiltration and inflow, which is water other than wastewater entering the System.

(3) Rate change effective March 1, 2008

(4) Rate change effective February 1, 2010.

(5) Rate change effective March 1, 2011.

(6) Rate change effective March 1, 2012.

## WASTEWATER SYSTEM

Wastewater Treatment Volume as Billed by  
Customer and User Classification (1)Last Five Years  
(unaudited)

<u>Retail Customers</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Residential	5,410,919	5,398,772	5,833,523	5,526,798	5,719,377
Commercial	8,073,068	8,371,739	7,581,237	7,400,234	7,667,315
Industrial	<u>1,360,888</u>	<u>1,407,118</u>	<u>1,906,731</u>	<u>1,844,858</u>	<u>1,743,266</u>
Sub-Total	<u>14,844,875</u>	<u>15,177,629</u>	<u>15,321,491</u>	<u>14,771,890</u>	<u>15,129,958</u>
<u>Wholesale Customers</u>					
Industries	4,602,014	4,331,149	4,561,502	4,211,293	4,622,788
Wholesale Municipal	8,504,167	8,275,112	7,698,627	7,517,900	7,711,750
Dewatering Accounts	476,339	403,709	100,854	83,497	173,781
Septage Haulers	<u>3,202</u>	<u>595</u>	<u>348</u>	<u>176</u>	<u>-</u>
Sub-Total	<u>13,585,722</u>	<u>13,010,565</u>	<u>12,361,331</u>	<u>11,812,866</u>	<u>12,508,319</u>
Total Wastewater Billed	<u><u>28,430,597</u></u>	<u><u>28,188,194</u></u>	<u><u>27,682,822</u></u>	<u><u>26,584,756</u></u>	<u><u>27,638,277</u></u>

Source: City of Kalamazoo, Public Services Department, Wastewater Division

(1) Measured in Cubic Meters.

## WASTEWATER SYSTEM

## Wastewater Volume as Treated and Billed (1)

Last Five Years  
(unaudited)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Metered Wastewater Volume	36,205,564	35,368,222	34,915,178	35,566,982	34,261,717
Wastewater Consumption as Billed	<u>28,430,597</u>	<u>28,188,195</u>	<u>27,682,822</u>	<u>26,584,756</u>	<u>27,638,277</u>
Difference (2)	<u>7,774,967</u>	<u>7,180,027</u>	<u>7,232,356</u>	<u>8,982,226</u>	<u>6,623,440</u>
Difference as a % of Metered Wastewater Volume	21.5%	20.3%	20.7%	25.3%	19.3%

Source: City of Kalamazoo, Public Services Department, Wastewater Division

(1) Measured in Cubic Meters.

(2) The difference between the wastewater volume as treated and billed is due, in part, to slow meters and infiltration and inflow which is water other than wastewater that enters the System.

## WASTEWATER SYSTEM

## Average and Peak Daily Wastewater Treatment Volume (1)

	Last Five Years (unaudited)				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Average Daily Sewage Disposal Volume	26.1	25.6	25.3	25.7	24.7
Peak Daily Sewage Disposal Volume	69.3	40.8	36.1	35.6	35.9
Peak as a Percent of Average	265.52%	159.38%	142.69%	138.52%	145.13%

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Source: City of Kalamazoo, Public Services Department, Wastewater Division

(1) Measured in millions of gallons per day.

WASTEWATER SYSTEM

Ten Largest Customers  
by Wastewater System Revenue and Volume as Billed

Year Ended December 31, 2012  
(unaudited)

Customer	Principal Product or Service	Wastewater Volume (cubic meters)	Percent of Total (1)	Wastewater Treatment Revenue	Wastewater Surcharge Revenue	Wastewater System Revenue	Percent of Total (2)
City of Portage	Municipality	5,511,179	19.9%	\$ 2,761,682	\$ -	\$ 2,761,682	13.4%
Pfizer	Pharmaceutical	3,637,141	13.2%	670,147	4,261,244	4,931,391	24.0%
Gull Lake Sewer Authority District	Municipality	1,070,497	3.9%	537,545	-	537,545	2.6%
Mattawan	Municipality	353,965	1.3%	177,323	-	177,323	0.9%
Vicksburg	Municipality	314,041	1.1%	157,230	-	157,230	0.8%
Cytec	Chemicals	272,971	1.0%	20,955	156,459	177,414	0.9%
Parchment	Municipality	165,571	0.6%	82,976	-	82,976	0.4%
Kalamazoo Brewing	Beer Brewing	130,733	0.5%	57,440	536,201	593,641	2.9%
Kalsec	Food Grade Flavorings	123,813	0.4%	54,389	409,345	463,734	2.3%
Galesburg	Municipality	120,500	0.4%	65,309	-	65,309	0.3%
		<u>11,700,411</u>	<u>42.3%</u>	<u>\$ 4,584,996</u>	<u>\$ 5,363,249</u>	<u>\$ 9,948,245</u>	<u>48.4%</u>

Source: City of Kalamazoo, Public Services Department, Wastewater Division

(1) Based on wastewater treatment volume of 27,638,277 cubic meters.

(2) Based on Wastewater System billed revenue of \$20,548,442.

\*Flow billed through Gull Lake Sewer Authority

## WASTEWATER SYSTEM

Wastewater Revenue as Billed  
by Meter Location and ClassificationLast Five Years  
(unaudited)

<u>Meter Location and Classification</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
City:					
Residential	\$ 1,574,910	\$ 1,534,565	\$ 1,505,049	\$ 1,545,787	\$ 1,693,901
Commercial	1,723,460	1,833,658	1,502,101	1,590,620	1,857,802
Industrial	144,878	162,644	307,098	273,019	251,376
Industrial Monitored	492,099	634,294	578,621	571,486	421,517
Contract	974,042	973,752	973,155	1,074,519	988,208
Municipalities	-	-	-	-	-
Septage Haulers	-	-	-	-	-
Dewatering	63,764	45,892	6,549	6,933	51,775
<b>Total City</b>	<b>4,973,153</b>	<b>5,184,805</b>	<b>4,872,573</b>	<b>5,062,364</b>	<b>5,264,579</b>
Out City:					
Residential	2,031,765	2,094,785	2,526,059	2,482,763	2,594,548
Commercial	2,280,209	2,227,773	2,234,332	2,266,245	2,287,881
Industrial	76,495	69,198	79,018	150,980	144,174
Industrial Monitored	1,032,009	645,703	779,744	804,444	1,447,864
Contract	3,104,871	3,939,994	3,922,709	4,015,637	4,931,391
Municipalities	3,427,048	3,379,907	3,606,832	3,653,947	3,870,716
Septage Haulers	107,444	18,745	25,400	12,606	596
Dewatering	21,785	22,373	30,341	26,656	6,691
<b>Total Out City</b>	<b>12,081,626</b>	<b>12,398,478</b>	<b>13,204,435</b>	<b>13,413,278</b>	<b>15,283,861</b>
Total System:					
Residential	3,606,675	3,629,350	4,031,108	4,028,550	4,288,449
Commercial	4,003,669	4,061,431	3,736,433	3,856,865	4,145,683
Industrial	221,373	231,842	386,116	423,999	395,550
Industrial Monitored	1,524,108	1,279,997	1,358,365	1,375,930	1,869,381
Contract	4,078,913	4,913,746	4,895,864	5,090,156	5,919,599
Municipalities	3,427,048	3,379,907	3,606,832	3,653,947	3,870,716
Septage Haulers	107,444	18,745	25,400	12,606	596
Dewatering	85,549	68,265	36,890	33,589	58,466
<b>Total System</b>	<b>\$ 17,054,779</b>	<b>\$ 17,583,283</b>	<b>\$ 18,077,008</b>	<b>\$ 18,475,642</b>	<b>\$ 20,548,440</b>

Source: City of Kalamazoo, Public Services Department, Wastewater Division

## WASTEWATER SYSTEM

History of System Rate Increases  
(unaudited)

<u>Date Increase Effective</u>	<u>Percent Increase</u>
March 2, 1987	2.40%
January 1, 1991	-7.50%
1999*	0.00%
July 1, 2001	4.00%
April 30, 2004	6.75%
July 1, 2007	20.00%
March 1, 2008	5.00%
February 1, 2010	3.00%
March 1, 2011	5.00%
March 1, 2012	5.00%

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Source: City of Kalamazoo, Public Services Department, Wastewater Division

\* In 1999 there was a revenue neutral rate change. That is, rates for some classifications increased while rates for other classifications decreased. Overall, there was no increase in revenue.